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Financial Strategies For Alleviation of Socioeconomic Impacts In Seven Western States

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Prepared by

Western Governors' Regional Energy Policy Office

through a cost-sharing agreement with

Federal Energy Administration

May, 1977

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PREFACE

This report addresses the problems of small communities in seven western states which have been or in the future may be impacted by large and rapid population increases.

Such boomtown conditions overwhelm the capacities of towns, counties and school districts to provide public facilities and services through ordinary and traditional taxation and bond issuance. Private and public institutions are unable to provide sufficient housing for the influx of new residents. Social problems multiply as a community quickly grows from, say, 200 to 2,000 population or from 10,000 to 30,000 population.

Some sparsely-populated areas in each of the seven states studied are experiencing population explosions due to energy development, such as the opening up of new coal or uranium mines and the construction of power plants. Therefore, this report concentrates on energy-related socioeconomic impacts. The same sort of impacts may occur from other forms of rapid development. For example, construction of an Anti-Ballistic Missile base in North Dakota a few years ago created similar problems. Strategies for alleviation are likely to differ, however, because energy development, particularly extraction of coal and oil shale, provide different potential revenue sources.

Section One of this report introduces the problem. In Sections Two through Eight, each of the seven states--Arizona, Colorado, Montana, New Mexico, North Dakota, Utah and Wyoming--is treated separately. State, county, municipal and school district sources of revenue and patterns of spending are analyzed in some detail for each state. Alternative strategies and recommended strategies for alleviation of impacts which state, county, municipal and school districts might follow in each state are presented.

Section Nine analyzes the housing problem which occurs when there is a rapid influx of new population into a small community with no surplus of existing housing and a lack of private and public financial resources for construction which normally are found in metropolitan areas. Statistical projections are made of the number of housing units likely to be needed in each community in the next decade. Estimates are made as to the ability of workers to rent apartments or to buy homes or mobile homes, with a finding that many workers will not be able to afford any of these. Suggestions are made for alleviation of this problem.

Section Ten provides an overview of possible financial strategies which may have general application in Rocky Mountain and Great Plains states where energy development poses a threat of serious socioeconomic impacts.

General conclusions are set forth in Section Eleven.

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Section One: Introduction

SOCIOECONOMIC IMPACTS: A FINANCIAL PERSPECTIVE

Our nation has achieved a remarkable standard of living by the substitution of mechanical power for man-power and horse-power. This substitution has required a rapid use in the discovery and use of our rich energy resources. To maintain and improve our living standards will require energy production at a level which is difficult to sustain unless alternatives to a heavy reliance on domestic petroleum and gas production and imports are more fully utilized.

The Western States will be deeply involved in any realistic solution to the problem created by declining oil and gas reserves and production and the erratic policies of foreign producers. Over one-half of the nation's coal reserves are located west of the Mississippi River. And the lion's share of oil shale, uranium and geothermal energy resources are found in the West. Energy developments of boom proportions have begun to take place; quantum leaps in developments are foreseen.

As energy developments occur in the rural west, an easy, relaxed way of living in many small towns and cities will be confronted with dramatic changes. An influx of construction workers into these communities will temporarily increase the workforce manyfold. As this hardhat workforce completes its job a smaller wave of operating workers will arrive to become permanent residents. Growth in America is not new; but this current western energy development is of a different genre in many respects.

What is the uniqueness of the present or prospective boomtown growth resulting from coal mining and associated enterprises, such as electric power generation and synthetic gas plants, as well as oil shale and uranium mining and processing? First, the present developments are often large, expensive complexes, which require several years to construct. Second, environmental issues have become extremely important factors in the location of a development and have added greatly to the costs of development. The "devil may care" attitude which epitomized much of the past development of our nation is no longer acceptable. Third, the social and economic demands by residents are such that the quality of life is uppermost in the attitude of the people living in growth areas. Employment and rapid economic gains are often subordinated to the quality of living. Workers demand better housing, education, recreation, and other public services than was true in past history. Residents do not accept growth as good, per se.

Growth in manufacturing is usually located in or near cities, which have well-developed community facilities and public services. Such new growth is often marginal and does not constitute a massive new element; the immigration of additional population can be accommodated by the existing facilities, with limited increases in financial resources required for schools, roads and streets, police and fire protection, and the private sector, such as housing, retail stores, and services. Consequently, industrial growth is still eagerly sought by a myriad of communities in the nation in order to retain young people in the work force.

The western boomtown is a different order of development. Instead of a limited, marginal development, the energy enterpirse is often a massive venture. Workers inmigrate in large numbers and may comprise a high proportion of the total work force. A wave of contruction workers who require temporary living quarters and greater public services, impinge dramatically on the old way of life and exert an immediate added pressure on public and private facilities.

The early phase of growth heightens the needs for public facilities and services when tax revenues are at a low ebb. Property valuations from a new development furnish a fully taxable base after the facility is constructed. Furthermore, the facility will be built ordinarily in a rural area and therefore may not provide a taxable base for the impacted town or city, even after the completion of the project.

A possible solution is to borrow financial support to build the necessary facility. This strategy is thwarted by several factors. Most communities have limits placed upon bonded indebtedness by state law. Even if the debt limit did not exist, the community would find it difficult or impossible to borrow because the new taxable base is not available to the city. And borrowing is seldom permitted for public operational expenses, which are beginning to accelerate.

On the positive side, energy developments are capital intensive. Since the investment per worker is sizable, the local property valuation and hence the tax base is much higher than for an average enterprise. These developments require the extraction of minerals upon which a severance tax may be imposed. Eventually the state tax base is heightened by the gross receipts and net incomes flowing from the final output of coal, electricity, gas, etc.

The present report addresses some of the financial problems which arise from development in seven of the ten WGREPO states that are substantial producers of the nation's energy resources. Even when tax revenues are adequate after a period of time, there may be shortfalls in revenues at certain periods of time. In order to finance capital facility and operating expense requirements of a community adequately, it is necessary that the tax revenues support community needs at each stage of development. Ideally, the financial resources will be received and apportioned in a manner which will finance impacts in the various cities, towns, school districts, counties, and the state government as the impacts are occurring.

The problem of the timing and distribution of tax revenues is of critical importance. State and local tax, bond powers, and the mechanisms to distribute revenue were not designed to accommodate the revenue problems which stem from the phased-in growth of huge energy complexes. Weakness in our public finance structures, which were not evident under conditions of slow, orderly growth have now become quite evident.

Local units of government are the creation of the state government. In order to provide protection from financial abuses, state governments often have enacted limitations on local tax bases, tax rates, indebtedness, and regional cooperation. The state governments have a paramount responsibility to reformulate indebtedness statutes, aid formulas, and other structures to alleviate the stress and strain of impacts at the local level of government. The state and federal statutes and constitutions may serve as barriers to state programs of assistance; these structures may require appropriate amendments.

In recognition of the need for adequate schools, streets and roads, and other services of government, private companies have, at times, created local "public" infrastructures. These efforts are meritorious. Nevertheless, the efforts of private industry must be enhanced and coordinated by public bodies if a modern, viable community with adequate schools, water and sewer systems, roads and streets and other facilities is to be developed.

Housing has been included in the report in a separate section. While housing is not a public or governmental problem per se, the public interest in and support of housing is substantial. The development of adequate housing is of paramount importance in a boomtown environment. Strategies to ameliorate the housing situation are, therefore included in Section Nine.

The thrust of this report is to set forth the financial strategies to alleviate communities impacts on public facilities and services and housing in seven of the ten WGREPO states. These seven states are experiencing rapid energy developments. The timing of tax revenues to alleviate near-term impacts and the distribution of tax revenues and bonding capacities among impacted areas and other state and local governments are problems which are under active consideration. Several of the states modified their tax structures and instituted new programs to mitigate adverse impacts on communities.

It is the goal of the report to provide information and findings which will assist the seven states in the design of continuously improved approaches to the alleviation of financial stress and strains encountered by the burgeoning towns and cities. While the emphasis is on the areas of energy developments, the strategies encompassed in the report should provide insights into resolving similar problems emanating from non-energy type developments as well.

PROBLEM INSIGHTS

The current national and world energy crisis has and will continue to exert a profound influence on the resource rich mountain and Great Plains states. On a tonnage basis, 53.7 percent of America's coal reserves are located west of the Mississippi River.[1] Of perhaps greater significance is the fact that 80 percent of the nation's low-sulphur coal or nearly 95 percent of the steam-coal which meets the E. P. A. sulphur dioxide new source standards are located in the western states.[2] A substantial percentage of this coal can be extracted by surface mining. Almost all of the nation's known reserves of uranium and oil shale are found in the Rocky Mountain and Plains states.[3]

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1. Federal Energy Administration, *National Energy Outlook,* 195 (1975)

2. *Id*, at 96

3. *Financing Energy Development*, Address of Keynote Speaker, Jack M. Campbell, proceedings of the First National Conference on Financial Requirements for Energy Development in the Western States Region; Albuquerque, N.M. at 68 (1975) (Hereinafter referred to as *Financing Energy Development*)

Much of the nation's undeveloped oil and natural gas is located in the Mountain West. The generic term "Mountain West" includes the Northern Great Plains in this report. Large reservoirs of geothermal energy have been located in this area and await development. There is little question that the current world energy crisis will exacerbate the need to develop these vast energy resources.

The Mountain West, while it comprises more than one-fourth of the land area of the United States, is the nation's most sparsely populated region. There are only four major metropolitan centers in the region: Albuquerque, Denver, Phoenix, and Salt Lake City. Furthermore, most of the energy resources are found in remote areas far removed from urban centers--in the mountains, plains, and the great basins of Wyoming, Nevada, and Utah.[2]

It is evident that needed energy developments will be located in areas that are largely rural in character and dominated by small communities. Generally, these settlements tend to be small trading centers for the surrounding agricultural and recreational areas. The local governments are usually part-time with little or no staff. The tax base is meager and may be located in unincorporated areas outside the boundaries of the municipalities. Often the construction sector is made up of a few skilled tradesmen, with no readily available supply of basic building materials.[3]

Water, sewer, utility, and solid waste disposal systems typically operate at or near capacity. Land available for development is often controlled by the Federal or State government or is expensive as a result of speculation. Existing housing stocks are usually fully occupied and in many instances are substandard and in need of rehabilitation. Demands upon health, recreational, educational, cultural, and entertainment facilities grow disproportionately to the available public revenues which traditionally have been used to catch up with long overdue capital improvement needs and are often provided only when a crisis exists.[4]

The provision of social services required by rapid growth is a co-equal concern with the development of housing and public infrastructure. Crime, child abuse and

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1. Mountain West as used in this report includes the states of Arizona, Colorado, Montana, Nevada, New Mexico, North Dakota, South Dakota, Utah and Wyoming

2. *Financing Energy Development* at 68.

3. *Energy Development in the Rocky Mountain Region: Goals and Concerns,* Federation of Rocky Mountain States, 94 (July 1975)

4. *Id*

abandonment, family breakdown, emotional problems (such as drug abuse and alcoholism) inevitably increase dramatically, overburdening the communities' ability to provide adequate social services.

Shortages of manpower, especially of professional and skilled workers, inhibit a rural community's response to accelerated growth.[1] Special inducements must often be offered to attract physicians, teachers, engineers and management experts into boom areas. Initially, competition arises between energy development companies and the public sector for skilled and specialized manpower. The predictable result is that the energy developers, with their inherent advantages of higher wage scales and better fringe benefits, place the local governments in an uncompetitive position. Even where a community has a large pool of unemployed workers, the absence of specialized skills in the workforce makes it difficult for a personnel recruiter to fill many jobs.[2]

Manpower shortages, high rates of employee turnover and absenteeism caused by dissatisfaction with the quality of life in the community inevitably lead to decreased industrial productivity. Energy facilities can be delayed, run inefficiently or at a greater operating cost. The result can be less energy produced at a greater cost to consumers.

Dollars may not be the solution to all of an impacted community's problems, but it is clear that increased capital and operating expenditures will be required to deal with the problems. The economic and financial implications of the socio-economic problems set forth above are significant. This nation faces an incredible capital shortage over the next decade. Economists predict that the United States will require $4.5 trillion between 1975 and 1985 to increase productive capacity, provide jobs for our expanding workforce and upgrade the standard of living in the country.[3] These estimates may be low in light of the nation's current need to immediately develop new alternative energy sources to prevent widespread economic and social dislocation as a result of current energy shortages. Competition in the capital markets will be increasingly fierce and there is no assurance that all the needed money can be raised. The Federal government has run significant budget deficits in recent years with the result that it has been forced to borrow heavily in the capital markets. There is little reason to expect a change in the near future.

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[1] *Id.*

[2] *Id.*

[3] *Financing Energy Development* at 61.

Given the quantum of the nation's overall capital needs in the next decade, it may be useful to consider financial requirements of the Mountain West over the same period to establish an order of magnitude of the problem. Through 1985, a conservative estimate from federal and academic forecasters indicate that investment in electrical power plants, coal, uranium and synthetic fuels will be more than $14 billion.[1] Investments in oil, natural gas, transportation and related activities can be expected to raise this estimate to $16 to $20 billion by 1985.[2] A state by state compilation of economic forecasts by the Region VIII Federal Regional Council indicates that the Mountain West may have a population increase of 500,000 by 1980 and nearly 1,000,000 by 1985.[3]

If this development occurs, huge capital investments for public facilities, housing, transportation and human service programs will be required. Estimated capital requirements for public facilites, utilities, and services range from $2000 to $7000 per capita population influx.[4] Total nonindustrial capital needs in the Mountain West may exceed $3.6 billion per year in the next decade.[5]

This secondary capital requirement for public infrastructure (public facilities, utilities and service programs) is staggering when matched against the ability of local governments to raise money. The aggregate general obligation bonding capacity of 131 Mountain West communities expected to be impacted by energy development was estimated in 1975 to be less than $35 million and under prevailing general obligation bond indebtedness limitations would remain below $500 million, even with the expected population increases.[6]

The capital shortfall for needed housing, public infrastructure and services is clear. The following analysis of the financial issues facing the Mountain West states explores various strategies which may be useful in facing these problems.

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[1] *Financing Infrastructure in Western Energy Areas*, a publication of the Rocky Mountain Institute for Policy Research, 9 (1975)

[2] *Id* at 9

[3] *Id* at 10

[4] *Id* at 11

[5] *Id* at 10

[6] Energy Impact Sub-Committee of the Mountain Plains Federal Regional Council, Untitled Report (mimeo). August 1975

Section Two: Colorado

STRATEGIES FOR ALLEVIATION OF SOCIOECONOMIC IMPACTS IN COLORADO COMMUNITIES

By Leonard Bronder, Resource Economist
Western Governors' Regional Energy Policy Office

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Colorado Public Expenditures Council

CHAPTER I

THE SETTING: MINERAL PRODUCTION IS FORECASTED TO INCREASE IN COLORADO

Total personal income in Colorado rose from $5.3 billion in 1965 to $8.6 billion in 1970, or by 62 percent. During the five years from 1970 to 1975, the rate of increase accelerated to 77 percent as personal income rose to $15.2 billion in 1975. From 1965 to 1970 the income payments in three basic industries rose at approximately the same rate. During the past five years mining grew most rapidly (up 139 percent), followed by manufacturing (up 70 percent) and farming (up 70 percent). Income generated by these activities in 1975 was: manufacturing, $1.8 billion; farming, $550 million; and mining, $339 million.

Total mineral production was $820.8 million in 1975. By category, metallic minerals were $245.5 million, nonmetallic minerals were $76.2 million, and mineral fuels were $499.0 million. The value of mineral fuel production was coal, $87.9 million; gas, $45.5 million, and crude oil, $365.6 million.

The historical peak of coal production in Colorado was during World War I, as shown in Appendix, Figure A-1. Coal production is expected to rise from 9.4 million tons in 1976 by about 15 million tons by 1980, according to FEA-sponsored reports. At present, 2.9 million tons of the total production of 9.4 million tons is from underground mining.

In 1975, the Colorado Division of Mines reported forty-five active mines of which twenty-nine were underground, fourteen strip and one strip and auger. The production by type of coal was 88 percent bituminous, 11 percent sub-bituminous, and one percent anthracite. Most of Colorado coal is low in sulfure content, and averages about 12 percent in moisture content and has an ash content of about six percent. The Btu value of Colorado coal is high by western standards ranging between 11,440 to 14,500 Btu per pound. Most of the coal that is exported from Colorado is metallurgical coal for use in smelters in Montana and coking plants in Utah and eastern states. Exports are currently about 2.8 million tons a year.

Increased coal production will create thousands of new jobs. Additional new jobs have been projected by the

U. S. Labor Office for Region VIII, as follows: underground mining, 4,210; surface mining, 1,518; construction of electric power plants, 5,150; operation of electric plants, 589; and conversion gasification plants, 2,504 for construction and 934 for operations. These total 14,905 more workers in these energy developments over the next ten years. Oil shale developments were considered to be too questionable on both economic and environment grounds to be included.

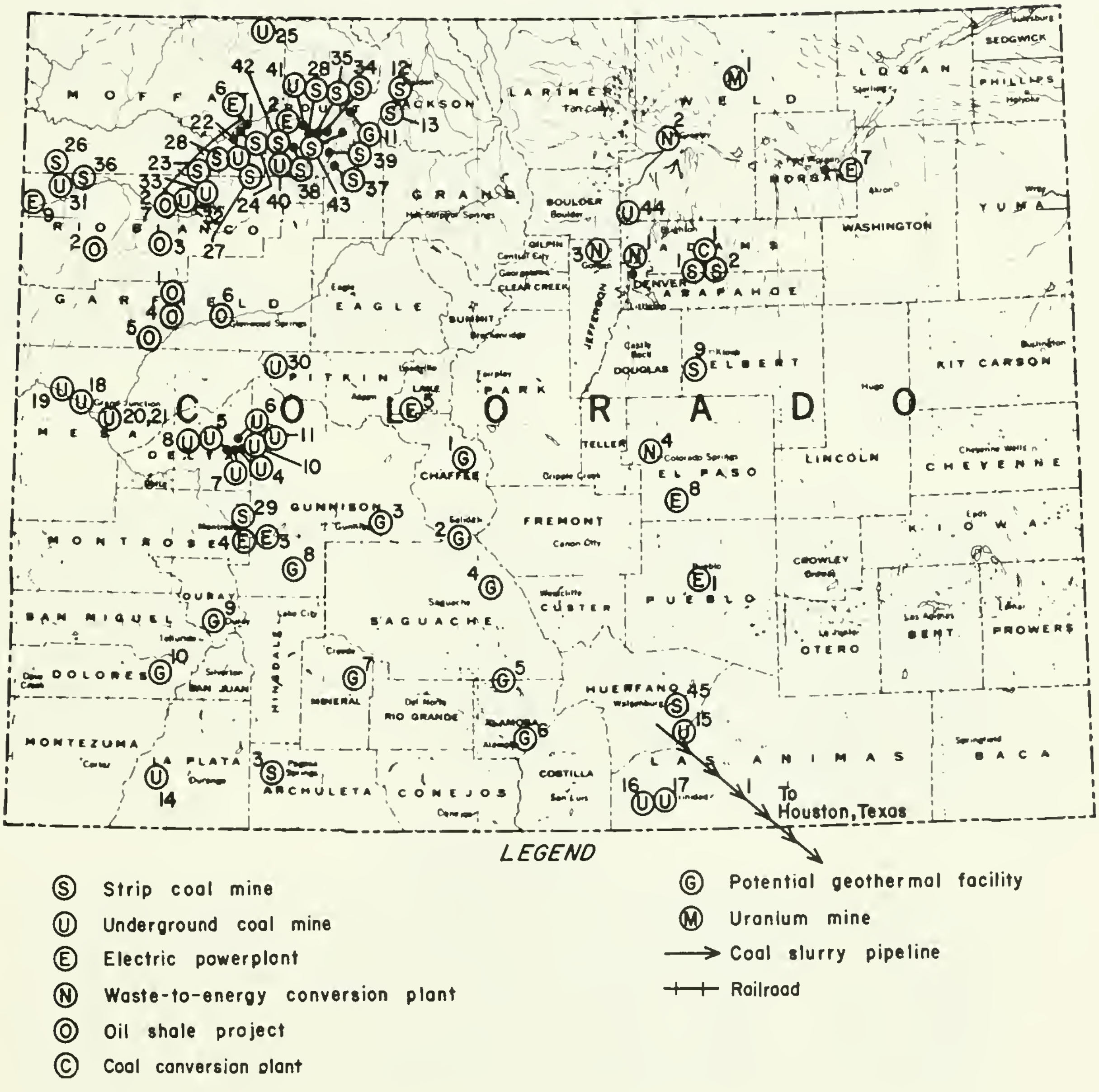
The development of future fuels-related projects in Colorado is shown in Figure 1. These projections are based on a survey conducted by the United States Department of the Interior and published in Information Circular 8719, May, 1976. These proposed projects may or may not reach a production state since environmental and economic factors may preclude completion. On the other hand, additional projects may come into fruition as future economic and technological changes occur. It is apparent that the major thrust of energy development is likely to take place in the northwest quadrant of the state as evidenced by the multiplicity of projects indicated as possible by the energy companies responding to the survey.

Energy developments and secondary businesses alone may boost population in the state by 50 to 60 thousand. The current population is 2,583,000, up 16.9 percent compared with an increase of 5.6 percent nationally. Due to the location of the growth on the western slope, the pressures on the affected rural communities to provide adequate roads, schools, sewer and water systems, recreational and other facilities as well as increased day to day services, will be concentrated in localities which have little or no excess facilities. And the tax structures, government organization, and fiscal controls which were developed for a rural, agrarian economy are being called upon to accomodate the rapid growth of mining and related multi-million dollar enterprises.

Local governments are the creation of state government. During this period of rapid energy developments and a national need for energy production, it is necessary to marshal the expertise and financial resources of higher levels of government to ameliorate local problems.

Figure 1

FUTURE FUELS-RELATED PROJECTS IN COLORADO



Source: *Information Circular 8719*, U. S. Bureau of Mines, May, 1976

CHAPTER II

STATE AND LOCAL FINANCES AND THE PROBLEM OF COMMUNITY IMPACTS

State and local governments in Colorado received $2,813.8 million in general revenues in 1974-75. The statistics, which are the most recently released by the Bureau of the Census, show that the percentage of revenues by levels of government in Colorado were federal, 21.3 percent; state, 41.7 percent; and local, 37 percent, which are identical with the 50-state averages.

STATE EXPENDITURES

State general spending was $1,616.2 million in 1974-75. Direct expenditures, excluding $602.9 million in state shared revenues, were $1,013.3 million. The State directed the major portion of spending for three categories: education,$423.1 million; welfare, $265.7 million; and highways, $193.6 million.

Other state spending was for the following purposes: natural resources, $45.0 million; health and hospitals, $102.5 million; financial administration, $29.1 million; and employment security, $16.3 million; general control, $31.8 million; police, $18.3 million; corrections, $31.1 million; interest on debt, $5.1 million. These expenditures do not include state aid for education and other transfer payments, which were distributed as follows: schools, $383.2 million; counties, $119.2 million; municipalities, $73.5 million; special districts, $7.5 million; unallocable, $19.1 million.

STATE REVENUES

The revenues received by state and local government in Colorado after taking account of intergovernmental transfers, were $1,094.2 million, or 38.9 percent for state government, and $1,719.6 million, or 61.1 percent for local government. The state receives revenues from a variety of sources. These sources include tax revenues, federal aid and revenue sharing funds, royalty income from state and federal lands, and interest income from investments.

TOTAL REVENUES FOR STATE GENERAL PURPOSES

Colorado state government received a total of $1,650.6 million in general revenues in FY 1975-75. The sources were: intergovernmental revenue, $473.6 million; tax revenues, $866.4 million; charges, $240.4 million; and miscellaneous, $67.4 million.

Intergovernmental revenues were received from the federal government, $473.6 million, and from local government, $2.8 million. The federal government revenues were public welfare, $159.1 million; highways, $78.0 million; education, $123.8 million; general revenue-sharing, $21.7 million; health and hospitals, $20.5 million; natural resources, $8 million; employment security, $12.7 million; and all other, $49.7 million.

Revenues from charges such as tuition, parking fees, service charges were from education, $200.2 million; hospitals, $25.1 million; natural resources, $2.4 million; and miscellaneous and other charges, $12.7 million.

Miscellaneous general revenues were derived from rents and royalties, $6.2 million; interest earnings, $37.7 million; donations, $18.4 million; fines and forfeits, $3.2 million; and all other, $1.7 million.

TAX REVENUES

Colorado state tax collections were $866.4 million in 1974-75. Major tax sources were gross receipts taxes, $275.0 million; individual income taxes, $280.5 million; corporate income taxes, $58.1 million; severance taxes, $2.4 million; motor fuels, $91.3 million; motor vehicle registration fees, $36.4 million; tobacco excises, $31.4 million; insurance premium taxes, $21.0 million; alcoholic beverages, $15.7 million; business licenses, $9.2 million; motor vehicle operators licenses, $1.7 million; liquor licenses, $1.7 million; paramutuals, $6.4 million; death and gift, $18.7 million; and hunting and fishing licenses, $11.9 million.

Individual income taxes are levied on taxable income, as defined for federal tax purposes with an upward adjustment for state income taxes paid and a downward adjustment for federal income taxes, interest on U. S. government securities, and designated retirement income. The rates for a joint return vary from three percent for the first $1,000 of taxable income to eight percent for income over $10,000. The distribution of revenues is to the state general fund.

Corporate income taxes are imposed on a net income allocable to the state after federal taxes. The tax rate is five percent of net taxable income. The distribution of revenues is to the state general fund.

Gross receipts taxes are imposed at a rate of three percent on the sale or use of tangible personal property, food for home use, utility services, admissions, meals, hotel, motel, laundry and dry cleaning services. The rate of three percent of purchase price with the revenues distributed to the state general fund. There is also a local option sales tax which may be levied at a rate of up to four percent with a limit of seven percent when the state tax is included. In addition, a one-half percent tax is imposed for rapid transit purposes in the Denver metropolitan area. The rates of tax in local areas including county and city taxes range from a-half percent to four percent in the state. The distribution of the state tax is to the general fund.

Cigarettes are taxed at a rate of 10¢ per package and the funds are distributed to the state general fund.

Alcoholic beverages are taxed at various rates with the tax on beer at 8¢ per gallon, the tax on wines of 14 percent or less in alcoholic content at 6¢ and over 14 percent at 9¢ per quart and distilled liquors at 27¢ a pint. The revenues are deposited in the state general fund.

Insurance premium taxes are imposed at two and one-fourth percent of premium income except home office operations which are taxed at one percent. The monies are distributed as follows: $1.45 million to the policemen's pension fund, $2.0 million to the firemen's pension fund, and remainder to the state general fund.

Motor vehicle registration fees are based on the weight of the vehicle. The rate of tax on private automobiles is $6 plus 20¢ per hundred pounds over two thousand pounds in weight and $12.50 plus 60¢ per hundred pounds in excess for vehicles over 4,500 pounds. Commerical vehicles are taxed at $7.60 at a weight of 2,000 pounds to $106.25 at the weight level of 6,500 pounds. Vehicles in excess of 6,500 pounds pay a tax of $22.50 plus a ton-mile tax of .8 mill per gross ton-mile empty weight and 2 mills per ton-mile of cargo weight. The revenues are deposited in the state highway users tax fund.

Motor vehicle fuels taxes are levied at 7¢ per gallon with the revenues deposited in the highway users tax fund.

Severance taxes are imposed on oil and gas production at a rate of two percent on gross income under $25,000 graduated to a rate of five percent on gross income of $300,000 and over. Local property taxes on oil and gas lands, lease holds and royalties (but not improvements) are allowed as a credit against the production tax liability. Oil and gas production is also subject to a conservation tax, a one mill per dollar market value, at the well head. Coal is subject to a tonnage tax of 0.7 of one cent per ton with the revenues which are approximately $50,000 per year being deposited in the state coal mine inspection fund. Surface mining operations are subject to an annual permit fee of $50 plus $15 per acre. The total revenues are about $40,000 a year; one-half from coal and the remainder from sand, gravel, and limestone quarries. There is no severance tax imposed on metal and on metallic mining at the present time.

STATE DEBT

The state indebtedness was $122.8 million at the end of FY 1974-75. The short-term debt was a minimal $16,000. There was no general obligation debt and the bulk of the long-term debt, namely $121.4 million was for state institutions of higher education, which was mainly for college and university dormitories and other revenue-producing investments.[1]

CASH AND SECURITY HOLDINGS

Cash and deposits for other than insurance trust systems totaled $198.7 million at year-end 1974-75. The securities invested in other than "insurance trust systems" totaled $292.5 million, which was invested in federal securities, $80 million; state and local securities, $364,000; and other investment, $212.1 million.

AIDS TO LOCAL GOVERNMENTS

The State of Colorado provides a substantial amount of financial assistance to local governments. Local aids and shared revenues totaled $602.5 million in 1974-75, or 37.3 percent of total state general expenditures.[2]

Among the ten WGREPO states, Colorado was exceeded only by Arizona in the proportion of state assistance to local government. The State of Arizona provided the

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1. The state constitution virtually prohibits general obligation debt (Article XI, Section 3)

2. *State Government Finances in 1975*, U. S. Bureau of the Census

greatest amount of assistance, namely 44 percent of total state general revenues. Despite the high aid to local government in Colorado, the state aids and shared revenues to municipalities were 12.3 percent of total municipal revenues while the national average state aid to municipalities was 26 percent.

Intergovernmental revenue from state and federal sources for local government purposes was $681.3 million in 1974-75, according to the U. S. Bureau of Census publication on state and local finances. Direct federal sources totaled $124.8 million, and direct state government sources were $556.4 million. The distribution of the total general aid revenues was school districts, $390.7 million; counties, $136.8 million; municipalities, $156.8 million; and special districts, $1.5 million.[1]

STATE ACTIONS TO ALLEVIATE IMPACTS

There has been a plethora of studies in Colorado, public and private, in which the problems of socioeconomic impacts to communities has been a central focus. The matter is of deep concern. To merely cite and describe the multitude of recommended strategies and legislative proposals would consume an undue amount of space. Therefore, only the recommendations which appear to be either live options or of substantial merit will be taken up herein.

OIL SHALE REVENUES FOR IMPACTS

The principal existing program for alleviation of community impacts has been the distribution of oil shale lease revenues. Colorado has received $78.4 million as of year-end 1976 in revenues plus interest earned on invested funds. The legislature has appropriated $15.1 million, of which $9.3 million has been expended, leaving a balance of $69.1 million. An amount of $2.7 million has been allocated to the water projects construction fund. These funds are loaned to impacted communities for water projects, according to a priority established by the Colorado Water Conservation Board. As the low interest rate loans are repaid, the funds are revolved and loaned again to other local governments.

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1. *Governmental Finances in 1974-75*, U. S. Bureau of the Census

Appropriations from the oil shale revenue fund to local governments and other uses are reflected in Appendix Table A-1. Colorado law provides that revenue from sales, rents, leases, royalties, and bonuses from oil shale leases are deposited into a special fund for appropriation to "state agencies, school districts, and political subdivisions of the state affected by the development and production of energy resources from oil shale lands, primarily for use by such entities in planning for and in providing facilities and services necessitated by such development and production, and secondarily for other state purposes." (Section 34-63-104 (1)).(The interest income from oil shale investments has been used mainly for impacts resulting from the production of coal).

The interest received from investment of oil shale funds has been freed up by the legislature to be used for general impact purposes. (Section 34-63-104 (2)) This measure is designed to preclude the emphasis of the usual federal stipulation of the past that these type funds must be used for schools and roads.

Under recently passed federal legislation (PL 94-579), the oil shale revenues can now be used for purposes of impact alleviation in any areas from which any federal mineral lease monies are derived. Nonetheless, the sentiment in Colorado and in Utah, which have all of such revenues, appears to be to use oil shale funds for communities presently or prospectively affected by oil shale developments, although exceptions have been made for communities near oil shale areas that have been impacted only by coal development.

Colorado Legislature Passes a Coal Severance Tax

After considerable discussion and a large number of proposals, the two Houses of the Colorado legislature passed House Bill 1076, which provides a severance tax on coal. At this writing, the legislation awaits action by the Governor. The severance tax provides for a rate of 60 cents per ton of coal produced after January 1, 1978 on surface-mined coal and 30 cents a ton on underground-mined coal. The first 8,000 tons of coal produced in each quarter of the year would be exempt. An escalator clause to provide for an increase or decrease in the tax rate of 1 percent for every three points change in the index of wholesale prices. The tax on oil shale was set at 4 percent of gross proceeds, with the tax imposition scheduled as follows: the first year of commercial production, 1 percent of gross proceeds; the second year, 2 percent of gross proceeds; the third year, 3 percent of gross proceeds; and the fourth and each succeeding year, 4 percent of gross proceeds. The production of the first 15,000 tons per day, or 10,000 barrels per day, of shale oil, whichever is greater, shall be exempt. Oil shale produced from underground in situ methods will be allowed a credit of 25 percent of the tax. The tax on oil and gas was not changed by the legislation, as passed. The distribution of the coal and metallic severance taxes is set as follows: 40 percent to the state general fund, 15 percent to the state severance tax trust fund, and 45 percent to the local government severance tax fund. The distribution to the state general fund would decline to 30 percent in 1980 and to 20 percent in 1981; after 1981, the total amount would flow into the severance tax trust fund. The revenues flowing to the severance tax trust fund would be perpetual with the income from the investments of the trust fund monies deposited to the state general fund.

The revenues derived from the 45 percent of the severance tax money channelled to the local government severance tax fund would be allocated thus: 85 percent of the funds would be allocated to political subdivisions impacted by energy developments by the Director of the Department of Local Affairs, with the advice of an energy impact assistance advisory committee, and 15 percent would be distributed to counties or municipalities on the basis of the proportion of the employees of a mine or related facility who reside in the area compared to the total number of employees of a mine or related facility.

NON-OIL SHALE MINERAL LEASE FUNDS

In addition to oil shale revenues, petroleum, gas, coal, and other mineral lease revenues are now shared equally with the federal government under recently enacted legislation (PL 94-579). These revenues were $9.8 million in 1976. Under the new sharing provision, the amount received in FY 76 would have been $13.1 million. A continuation of the present method may not be consistent with PL 94-579, which states, under Section 317(a), the mineral lease monies paid to a state on or after January 1, 1976 are to be "used by such state and its subdivisions, as the legislature of the state may direct, giving priority to those subdivisions of the state socially or economically impacted by development of minerals leased under this Act, for (i) planning, (ii) construction and maintenance of public facilities, and (iii) provision of public service."

Under the present method of allocation, mineral lease money from oil, gas, and coal receipts would be distributed as follows: one-third to the public school fund and two-thirds to the counties for schools and roads, with no more than 75 percent to be allocated in the county for either purpose. Distribution of these revenues for

1976 and a 1977 estimate is shown in Appendix Table A-3. A spill-over of any excess above $200,000 to a county would continue to be deposited into the state school fund. Total receipts from oil, gas, and coal leases are estimated at $13.1 million in 1976 at the new 50 percent level of sharing. As shown in Table A-3, the school fund would receive $11.04 million, including $6.7 million in spill-over funds. The counties in the state would receive $2.1 million for roads and schools.

A legislative proposal, Colorado Senate Bill 35, would not change the previous distribution to public schools and counties. The additional mineral lease money, amounting to 12½ percent of the total collected by the federal government, would be distributed two-fifths to the water conservation board construction fund account and three-fifths to a local government impact fund. An energy impact advisory committee would be created and would make recommendations to the Department of Local Affairs concerning necessary actions to assist impacted areas. The amount of monies available currently is estimated at about $2 million for the impact fund and $1.3 million for the water conservation construction fund.

ADDITIONAL ALLEVIATION MEASURES

A number of legislative proposals to finance local governments have, from time to time, been considered in Colorado. Among these has been a measure to create a bond underwriting fund, in which monies from the state's share of future oil shale bonus payments would be deposited. In essence, the proposal would authorize the use of the fund to guarantee bonds of local governments that were used for public facilities required by virtue of the location, construction, or operation of energy conversion and resource development operations. This proposal advocated the creation of a $20 million fund from the state's share of oil shale monies over a three-year period. The guarantee contract would become operative when a political subdivision would have been unable to make principal and interest payments on its bond when such payments became due. If the subdivision could not make the payments, the state would have loaned monies from a bond underwriting revolving fund, which would be subject to eventual repayment by the local subdivision.

A similar but different proposal would create a state authority to issue bonds up to a specified amount, to be returned in part from proceeds of a state severance tax and to use the monies for assisting local governments with impact problems, including programs for energy con-

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1. Recent data place the spill-over funds at $7.0 million and the road and school funds at the county level at $3.8 million.

servation. Within a limit of $50 million total, the authority would be empowered to guarantee repayment of local government bond issues, to make grants, and to make loans for such purposes. A guarantee contract would have permitted the authority, when the local government was unable to make principal and interest payments on its bonds, to loan funds to the local government in an amount necessary to meet such payments.

PREPAYMENT OF TAXES

A plan to authorize the prepayment of taxes by "major new industrial facilities" was considered by the interim committee on finance of the legislature in 1976. The proposal, which was not recommended by the committee, would have authorized prepayment on a voluntary basis. The definition of a major facility would have been a manufacturing, power generation, or mining facility employing 100 people on an average annual basis and creating a substantial impact on public services. A second proposal, which also was not supported, would have authorized municipalities and counties to require prepayment of property taxes by such facilities located within their respective boundaries.

ARGUMENTS FOR AND AGAINST PREPAYMENT OF TAXES

The following arguments for and against prepayment of taxes were set forth in a report by the legislative council staff of Colorado in October, 1976.

Those who favor prepayment contend that: 1) it is an effective device to provide local governments with the revenues necessary to construct public facilities required because of rapid growth; 2) it is an appropriate tax policy to require that the development which causes the impact should provide the necessary front-end funding; and 3) prepayment of local taxes allows local governments to meet their own growth-related needs without reliance on the state or federal governments.

In opposition to prepayment, it may be said that 1) such a requirement for energy-related facilities could establish a precedent for other businesses, regardless of the size or the impact of the development; 2) voluntary prepayment of taxes would likely not be allowed as a deduction by the Internal Revenue Service in computing corporate income taxes during the year of payment and thus disadvantage the taxpayer; and 3) prepayment of tax revenues could discourage local governments from seeking other sources and may or may not correspond to the amounts needed by local governments for front-end financing.

JOINT SHARING OF PROPERTY TAX REVENUES

Another proposal designed in part along the lines of the Minneapolis-St. Paul Fiscal Disparities Act provides that the assessed valuation of a major industrial facility, including power generation and mining facilities, in excess of $50 million would be used to enhance the tax base for an impacted region. Under the proposal, the first $50 million would remain to enlarge the assessed valuation of the county, municipalities, school districts, and special districts within whose boundaries the facility is located. The distribution of the revenues from a mill levy applied to the excess valuation that is the amount over $50 million would had to have been made in one of two manners: 1) in accordance with the allocation of general revenue-sharing funds or 2) on the basis of where the employees of the facility actually reside.

CHAPTER III

Two Case Studies Concerning Financing Problems in Seven Colorado Towns

This chapter explores the financial situation which may be faced by seven towns which are, presently or prospectively, being impacted by mineral fuel production and related energy developments. The time paths of revenues and expenditures for operations and capital facilities are useful in development of fiscal strategies to resolve financial problems before they become unmanageable.

Excerpts from the initial case study of six counties and their subdivisions of government are quoted verbatum below from *Boom Town Financing Study Volume I* prepared by Ross M. Bolt, Dan Luna and Lynda A. Watkins, Department of Local Affairs, State of Colorado, November, 1976. The full two volume study is recommended for reading by serious students of the problems of community impact.

"Six case study communities--Battlement Mesa, Craig, DeBeque, Grand Junction, Paonia, Rangely--were selected because they represent a broad diversity of size, growth prospects, available public services and facilities, financial structure, location and likelihood of fossil fuel development. They vary in size from the non-existent proposed new town of Battlement Mesa to the regional trade center of Grand Junction (26,500). The smallest community, DeBeque with 275 people, has one part-time policeman and an annual operating budget of $40,000. Grand Junction, by contrast, offers all major urban services and has an annual budget of $9.5 million.

"From a locational point of view, Rangely is near the Utah border and is likely to experience special impact problems if two oil shale tracts in Utah are developed.[1] DeBeque and Battlement Mesa are located along Interstate 70 and have excellent access to larger towns. Paonia is somewhat isolated being located 30 miles from Delta and 51 miles from Carbondale via McClure Pass. The locations of the six case study communities and their

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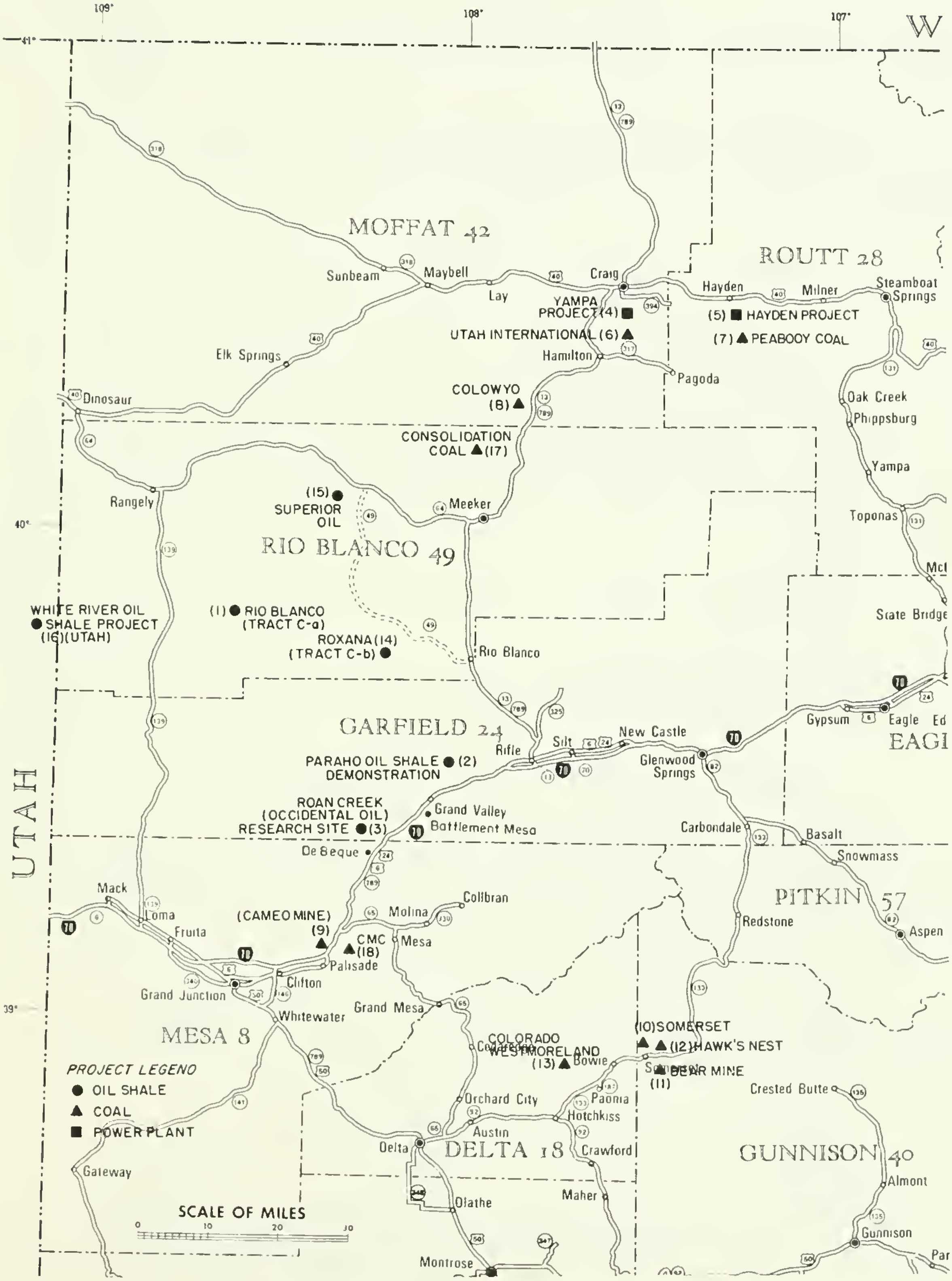
1. In addition, Rangely is expected to absorb a substantial portion of the work force from Colorado Oil Shale Tract C-A

Figure 2

MAJOR ENERGY-RELATED PROJECTS LIKELY TO IMPACT ONE OR MORE OF THE CASE STUDY AREAS, 1976 TO 1985 (MEDIUM INTENSITY DEVELOPMENT)



Source: *Boom Town Financing Study, Volume I*, by Ross M. Bolt, Dan Luna and Lynda A. Watkins, Department of Local Affairs, State of Colorado, November, 1976 counties are shown on Figure 2. A brief description of the communities follows:

"(1) Craig is already impacted by construction of the Yampa Project, a 780 megawatt power plant, and future impacts are anticipated from coal mining and additional power plant construction.

"(2) Rangely is impacted, to a moderate degree, by oil and gas production. Potential sources of energy impacts include three oil shale projects, a power plant, and coal mining.

"(3) DeBeque is a small community located near the Occidental petro-experimental oil shale site.

"(4) Grand Junction is the regional trade and service center for western Colorado and portions of eastern Utah. Although it is located some distance from major coal, oil shale and uranium deposits, the area is expected to be heavily impacted by workers commuting to mine and plant sites. Development of technical service, distribution and administrative activities in support of energy development activities in the region will also impact Grand Junction.

"(5) Paonia is, and will continue to be, impacted by underground coal mining.

"(6) Battlement Mesa is a proposed new town that would house and service oil shale workers.

POTENTIAL ENERGY-RELATED DEVELOPMENTS

"In order to estimate the potential population increase expected over the next decade in each case study area, three estimates of possible energy development in the study region were prepared: low intensity, medium intensity, and high intensity development.

"The impacts of each potential energy development upon the six case study areas (municipalities, counties and school districts) were estimated based upon likely residential settlement and commuting patterns.

FINANCIAL ANALYSIS-INITIAL COMPARISONS

Six Municipalities

"Table 1 compares revenues and operating costs under peak year low, medium and high population estimates for each municipality. According to these comparisons, Craig,

Table 1

COMPARISONS OF ANNUAL REVENUES AND OPERATING COSTS, SIX MUNICIPALITIES, LOW, MEDIUM AND HIGH POPULATION ESTIMATES

	Craig			Rangely			Battlement Mesa			DeBeque			Grand Junction			Paonia		
	Low	Medium	High	Low	Medium	High	Low	Medium	High	Low	Medium	High	Low	Medium	High	Low	Medium	High
A. Operating Budgets (Peak Year)																		
1. Estimated revenues, present tax and fee structure (millions)	$2.3	$2.8	$4.3	$3.1	$5.2	$8.3	--	--	$2.5	$0.1	$0.1	$0.2	$12.4	$14.4	$16.3	$0.5	$0.5	$1.1
2. Estimated operating costs (millions)	2.2	2.6	3.8	3.2	5.6	8.9	--	--	3.1	0.1	0.1	0.2	10.7	12.5	14.3	0.5	0.8	1.1
Potential Peak Year Surplus (shortage) - millions	0.1	0.2	0.5	(0.2)	(0.4)	(0.6)	--	--	(0.6)	--	--	--	1.7	1.9	2.0	--	--	--
B. Possible Approaches to Eliminating Shortages																		
1. Mill levy increase*				+13.3	+12.5	+12.3			+24.3									
2. Sales tax increase									+ 1.0%									
3. Additional revenues generated (millions)				$0.2	$0.4	$0.6			$0.6									

*The current mill levy for Rangely is 27.34 mills; the proposed mill levy for Battlement Mesa is 20.00 mills. The amounts shown are in addition to the present levels.

Source: *Boom Town Financing Study, Volume I*, by Ross M. Bolt, Dan Luna and Lynda A. Watkins, Department of Local Affairs, State of Colorado, November, 1976

DeBeque, Grand Junction and Paonia should be able to pay for operating needs. In Rangely and Battlement Mesa, some problems can be anticipated. Possible approaches to balancing the operating budgets are noted on Table 1.

"In the case of capital expenditures (high priority items), Table 2 compares peak year requirements for each community with possible funding sources. In the case of Craig and Grand Junction, local funding sources (if used) appear to exceed capital needs. In the other four cases, needs exceed readily identificable sources (debt financing and water and sewer tap fees).

Counties

"With the exception of Mesa County, revenue estimates in the peak years exceed operating costs for county government. In three counties--Moffat, Rio Blanco and Garfield--the differences are substantial (see Table 3).

"Table 4 compares capital expenditure needs with debt limits for each county. In Mesa and Delta counties, capital requirements exceed the debt limits by substantial margins; in Moffat County, the debt limit is more than sufficient to meet high priority capital needs.

School Districts

"Three of the six school districts analyzed should have no problems in meeting peak year operating costs (see Table 5). Rio Blanco County may have to increase its mill levy as much as 18 mills, but the present rate is unusually low (6.45 mills) so the capacity appears to be available.

"Mesa County District 51 will experience the most serious difficulties, with a 17 mill increase required to cover operating costs. The present levy is 38 mills.

"In terms of new classrooms and other capital facilities, debt limits are expected to be more than adequate to pay for needed plant (see Table 6). Whether or not voters will agree to this method of financing is, of course, open to question. However, this preliminary analysis does indicate that the needed tax base (and borrowing capacity) will be available."

CASE STUDY OF MEEKER, COLORADO

The following excerpt is reproduced below by permission of Denver Research Institute, University of Denver. The full study is available as *Analysis of Financing Problems in Coal and Oil Shale Boom Towns*, by

Table 2

COMPARISON OF SELECTED CAPITAL OUTLAY REQUIREMENTS AND POSSIBLE LOCAL FUNDING SOURCES, SIX COMMUNITIES, LOW, MEDIUM AND HIGH POPULATION ESTIMATES (MILLIONS)

	Craig			Rangely			Battlement Mesa			DeBeque			Grand Junction			Paonia		
	Low	Medium	High	Low	Medium	High	Low	Medium	High	Low	Medium	High	Low	Medium	High	Low	Medium	High
A. Capital Outlay Requirements (Peak Year)*																		
1. High priority (designated by Boom Town Study Committee)	$ 0.3	$ 1.1	$ 2.7	$ 4.2	$ 8.5	$15.7	--	--	$10.8	$ 0.1	$ 0.1	$ 0.7	$ 1.1	$ 5.9	$10.3	$ 1.2	$ 2.1	$ 3.5
2. Recreation and administrative	0.0	0.2	0.6	0.5	1.2	2.1	--	--	1.2	0.0	0.0	0.1	0.2	0.6	1.3	0.0	0.1	0.3
Capital Facility Needs	$ 0.3	$ 1.3	$ 3.3	$ 4.7	$ 9.7	$17.8	--	--	$12.0	$ 0.1	$ 0.1	$ 0.8	$ 1.3	$ 6.5	$11.6	$ 1.2	$ 2.2	$ 3.8
B. Potential Local Funding Sources **																		
1. Water and sewer tap fees (cumulative)****	0.2	0.4	1.2	2.0	3.6	6.1	--	--	6.4	***	***	0.3	1.6	4.2	6.9	0.6	1.2	2.1
2. Debt	1.4	1.7	2.7	1.8	3.0	4.8	--	--	1.8	0.1	0.1	0.1	7.3	8.6	9.8	0.5	0.7	1.0
Potential Local Funding Sources	$ 1.6	$ 2.1	$ 3.9	$ 3.8	$ 6.6	$10.9	--	--	$ 8.2	$ 0.1	$ 0.1	$ 0.4	$ 8.9	$12.8	$16.7	$ 1.1	$ 1.9	$ 3.1

*There are categories of capital expenditures not included in this analysis. The most important is roads and streets.

**There are other potential local funding sources to pay for capital outlays, such as revenue bonds, on increase in the sales tax, or use of surplus funds from operations, which are not considered in this initial analysis.

***Less than $50,000.

****Water and sewer tap fee revenue estimates are based on present fee structure.

Source: Ibid

Table 3

COMPARISONS OF ANNUAL REVENUES AND OPERATING COSTS, FIVE COUNTIES, LOW, MEDIUM AND HIGH POPULATION ESTIMATES

	Moffat County			Rio Blanco County			Garfield County			Mesa County			Delta County		
	Low	Medium	High	Low	Medium	High	Low	Medium	High	Low	Medium	High	Low	Medium	High
A. Operating Budgets (Peak Year)															
1. Estimated revenues, present tax and fee structure (millions)	$7.8	$8.5	$10.3	$5.9	$10.4	$14.6	$4.2	$4.9	$12.4	$10.6	$12.3	$13.8	$3.7	$4.4	$5.2
2. Estimated operating costs (millions)	4.7	5.3	6.7	6.3	8.5	10.9	3.9	4.7	6.1	11.5	13.0	14.7	3.6	4.2	4.8
Potential Peak Year Surplus (shortage) - millions	3.1	3.2	3.6	(0.4)	1.9	3.7	0.3	0.2	6.3	(0.9)	(0.7)	(0.9)	0.1	0.2	0.4
B. Possible Approaches to Eliminating Shortages															
1. Mill levy increase*				1.2						5.5	4.0	3.9			
2. Sales tax increase**				--						--	--	--			
3. Additional revenues generated (millions)				$0.4						$0.9	$0.7	$0.9			

*Present mill levy is 7.96 in Rio Blanco County and 18.15 in Mesa County.

**A one percent increase in the sales tax in Mesa County would also generate more than sufficient funds to clear up the possible peak year shortage.

Source: Ibid

Table 4

COMPARISON OF SELECTED CAPITAL OUTLAY REQUIREMENTS AND DEBT LIMIT, FIVE COUNTIES
LOW, MEDIUM AND HIGH POPULATION ESTIMATES (MILLIONS)

	Moffat County			Rio Blanco County			Garfield County			Mesa County			Delta County		
	Low	Medium	High	Low	Medium	High	Low	Medium	High	Low	Medium	High	Low	Medium	High
A. Capital Outlay Requirements (Peak Year)*															
1. High priority	$0.2	$0.1	$0.3	$1.7	$3.9	$6.8	$0.4	$1.7	$4.2	$1.3	$3.6	$5.8	$0.6	$1.5	$2.4
2. Recreation and administrative	--	0.1	0.2	0.3	0.8	1.4	0.3	0.5	0.9	0.6	1.0	1.4	0.3	0.3	0.6
Capital Facility Needs	$0.2	$0.2	$0.5	$2.0	$4.7	$8.2	$0.7	$2.2	$5.1	$1.9	$4.6	$7.2	$0.9	$1.8	$3.0
B. Potential Local Funding Sources**															
1. Debt	3.6	3.7	3.9	4.5	4.5	10.7	1.3	1.4	5.6	2.4	2.9	3.2	0.8	0.9	1.1

*Roads and bridges is the most important category of capital outlays omitted from this analysis.

**Other potential local funding sources for capital outlays include the sales tax and increased mill levies.

Source: Ibid

Table 5

COMPARISONS OF ANNUAL REVENUES AND OPERATING COSTS, SIX SCHOOL DISTRICTS, LOW, MEDIUM AND HIGH POPULATION ESTIMATES

	Moffat County District RE-1			Rio Blanco County District RE-4			Grand Valley District 16			DeBeque District 49			Mesa County District 51			Delta County District 50		
	Low	Medium	High	Low	Medium	High	Low	Medium	High	Low	Medium	High	Low	Medium	High	Low	Medium	High
A. Operating Budgets (Peak Year)																		
1. Estimated revenues, present tax and fee structure (millions)	$ 9.4	$ 9.7	$10.7	$ 2.3	$ 2.7	$ 4.2	$ 1.0	$ 1.3	$18.8	$ 1.0	$ 1.1	$ 8.1	$18.0	$20.8	$23.4	$ 5.8	$ 7.1	$ 8.0
2. Estimated operating costs (millions)	4.0	5.0	7.2	4.1	6.9	12.1	0.8	1.3	11.4	0.4	0.4	0.9	19.5	23.1	27.0	6.4	7.5	8.6
Potential Peak Year Surplus (shortage) - millions	5.4	5.7	3.5	(1.8)	(4.2)	(7.9)	0.2	--	7.4	0.6	0.7	7.2	(1.5)	(2.3)	(3.6)	(0.6)	(0.4)	(0.6)
B. Possible Approaches to Eliminating Shortages																		
1. Mill levy increase*				+6.6	+14.3	+18.4							9.8	12.5	17.2	10.0	4.9	6.2
2. Additional revenues generated				1.8	4.2	7.9							1.5	2.3	3.6	0.6	0.4	0.6

*The present mill levy in District RE-4 is 6.45; the levy in Mesa County District 51 is 37.94; the levy in Delta County District 50 is 34.30 mills.

Source: Ibid

Table 6

COMPARISON OF CAPITAL OUTLAY REQUIREMENTS AND TWO POTENTIAL LOCAL FUNDING SOURCES, SIX SCHOOL DISTRICTS, LOW MEDIUM AND HIGH POPULATION ESTIMATES (MILLIONS)

	Moffat County District RE-1			Rio Blanco County District RE-4			Grand Valley District 16			DeBeque District 49			Mesa County District 51			Delta County District 50		
	Low	Medium	High	Low	Medium	High	Low	Medium	High	Low	Medium	High	Low	Medium	High	Low	Medium	High
A. Capital Outlay Requirements (Peak Year)	$ 2.5	$ 4.3	$ 8.2	$ 5.0	$11.2	$21.2	$ 0.4	$ 1.7	$22.2	--	--	$ 1.1	$ 2.0	$ 9.7	$17.4	$ 4.8	$ 8.3	$11.8
B. Potential Local Funding Sources																		
1. Debt*	48.3	49.1	52.6	55.6	58.4	86.2	2.5	2.9	54.7	4.0	4.0	34.2	30.4	36.6	41.6	11.8	15.5	20.7
2. Capital reserve funds (cumulative)**	4.7	4.8	5.0	6.6	6.7	8.7	0.1	0.4	3.6	--	--	--	5.8	6.5	7.1	2.2	2.7	3.3
Total	$53.0	$53.9	$57.6	$62.2	$65.1	$94.9	$ 2.6	$ 3.3	$58.3	$4.0	$4.0	$34.2	$36.2	$43.1	$48.7	$14.0	$18.2	$24.0

*Gross debt limit, Mesa County District 51 has $2.7 million in debt outstanding. The other five districts each has less than $300,000 in debt outstanding.

**Based on current capital reserve mill levy.

Source: Ibid

John D. Gilmore, Keith D. Moore, Diane Hammond and Dean C. Coddington, July, 1976.

"If synthetic fuels commercialization becomes a reality, public entities in Rio Blanco will also find that they confront a 'critical period' at the beginning of the boom. Rio Blanco County and, to a lesser extent, the Meeker School District received a sizable financial boost during the time this study was taking place.[1] Increases in oil and gas prices resulted in large increases in the assessed valuation of existing producing wells. The county's assessed valuation increased from $97 million to $171 million as a result of these OPEC-triggered price increases. .... Because of the uniqueness of this occurrence (a county with new energy developments will not be able to count on a 76 percent increase in property valuation the year before the boom begins), the projections presented in this section disregard these 'windfall' valuation increases. Table 7 presents 'Business as Usual' projections of county finances under the Low Development Profile for the Meeker Case Study. The county's primary revenue sources are local property taxes and highway users tax funds returned by the state. The first substantial increases in property tax revenues attributable to new evergy developments will not arrive until 1979.[2] Because of this, the county's present revenue structure will not provide the funds needed to increase operating services in 1976, 1977, and 1978.

"Sixteen million dollars in road improvements are needed prior to the arrival of the peak construction force for the C_a oil shale tract. Mostly as a result of its present oil and gas activity, Rio Blanco County has the highest assessed valuation per capita of any county in the State of Colorado.[3] Therefore, it would have no difficulty in bonding itself for the needed road improvements if the voters so decided. Even with 15 year

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[1] The Colorado Impact Office observes that the overwhelming share of the increased valuation will be in the Rangely School District

[2] The Superior Oil Shale facility is shown under the Low Development Profile to be one-fourth complete in 1978. This will result in an addition of an estimated $13 million to the county's assessed valuation beginning in 1979

[3] This is true with or without the recent oil and gas price increases

TABLE 7. "BUSINESS AS USUAL" PROJECTIONS FOR RIO BLANCO COUNTY (LOW DEVELOPMENT PROFILE)[a]

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
RIO BLANCO COUNTY											
POPULATION	5000	5945	9096	11511	14060	16880	17442	19775	23000	27552	20615
OPERATING REVENUES											
AD VALOREM TAX	840	770	790	830	1420	1610	1780	1950	3000	3180	3380
HIGHWAY USERS TAX	520	620	950	1200	1460	1760	1810	2060	2390	2870	2140
FED REV SHARING	100	50	70	90	100	120	120	130	150	180	130
HEALTH SERV FEE	290	340	530	670	820	980	1010	1150	1330	1600	1200
ST WELFARE FUND	110	120	160	180	210	240	250	270	310	360	280
GRANTS	30	30	30	30	30	30	30	30	30	30	30
FEES & MISCELL.	610	710	1090	1380	1690	2030	2090	2370	2760	3310	2470
TOTAL OP. REV.	2500	2640	3620	4380	5730	6770	7090	7960	9970	11530	9630
OPERATING EXPENDITURES											
GENERAL ADMIN.	470	550	820	1020	1240	1480	1530	1730	2000	2390	1800
POLICE PROTECT.	130	160	240	310	370	450	470	530	620	740	550
FIRE	0	0	0	0	0	0	0	0	0	0	0
HLTH & HOSPITAL	470	560	850	1080	1310	1570	1630	1840	2140	2570	1920
ROADS & BRIDGES	950	1100	1610	1990	2400	2850	2940	3310	3830	4560	3450
WELFARE	150	160	190	220	240	270	270	300	330	380	310
AID-SCHLS/MUNIC	90	90	90	90	90	90	90	90	90	90	90
MISCEL.	240	260	320	370	420	480	490	540	600	690	550
TOTAL-OP. EXP.	2500	2880	4120	5080	6070	7190	7420	8340	9610	11420	8670
SURPLUS/DEFICIT	0	-240	-500	-700	-340	-420	-330	-380	360	110	960
CAPITAL REVENUES											
ADVALOREM TAXES	20	20	20	20	40	40	50	50	80	90	90
OTHER CAP. REV.	170	160	160	160	160	160	160	160	170	170	160
TOTAL CAP. REV.	190	180	180	180	200	200	210	210	250	260	250
CAPITAL EXPENDITURES											
ADMIN/JUDICIAL	10	0	0	0	490	0	0	0	0	0	0
SHERIFF & FIRE	0	0	290	280	280	280	280	280	280	280	280
HOSPITALS & MH	10	0	0	0	800	0	0	0	0	0	0
ROADS & BRIDGES	170	16000	0	0	0	0	0	0	0	0	0
OTHER	0	0	0	0	0	0	0	0	0	0	0
TOTAL-CAP. EXP.	190	16000	290	280	1570	280	280	280	290	280	280
CAP DEBT SERVICE	20	1930	1960	1990	2180	2210	2250	2280	2310	2340	2380
SURPLUS/DEFICIT	0	-1750	-1780	-1810	-1980	-2010	-2040	-2070	-2060	-2080	-2130
TOTAL SURPLUS/DEFCT	0	-1990	-2290	-2510	-2320	-2430	-2370	-2450	-1700	-1970	-1170

[a] See Appendices B and F for further detail on county financial structure and description of projection methodology.

Source: *Analysis of Financing Problems in Coal and Oil Shale Boom Towns,* Denver Research Institute, July, 1976 bonds, however, the county's present revenue structure would not generate enough funds to pay the annual debt service of that large a bond issue.

"The county's financial picture eventually turns around and becomes quite favorable. The large C_a oil shale facility is completed in 1982 and is fully on the tax rolls in 1983. After 1983, the peak construction period is over, and the temporary work force begins to depart the area. County revenues begin to exceed expenditure requirements by large amounts. From 1976 through 1983, however, the county's revenue sources generate $21 million less than the county would need to spend to maintain its present level of services.

"The Town of Meeker's revenue structure is already well adapted to the needs imposed by growth. Table 8 depicts the town's financial status under the Low Development Profile. The town's two largest sources of operating revenues are sales taxes and utilities service charges. Sales tax revenues should keep pace with population growth. The town can realize substantial economies of scale in the operation of its new sewer and water systems. If utilities service charge rates are held constant, substantial surpluses can be generated from the utilities fund and applied to increases in other operating functions.[1]

"Meeker is in effect requiring its new residents to pay for a substantial share of the capital costs their arrival necessitates, before they move in. In 1974, the town raised its water tap fees from $250 to $850 per unit. Total tap fees for water and sewer are now $1,350 per unit; this is one of the highest rates in the Rocky Mountain region.[2] The town has also begun construction on new utilities systems which will increase its population-serving capacity from 2,000 to 7,800. Not counting interest, roughly 90 percent of the costs of these facilities will be paid by tap fees.[3]

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1. This subsidy of other operating funds by utilities charges is not uncommon in other communities. The City of Aspen, Colorado, is one nearby municipality which uses this practice

2. The Colorado Impact Office states that the rate is among the highest in rural areas in the region

3. The cost to the town (not including grants) of its water and sewer expansion program is $2.4 million. At 3.5 persons per new dwelling unit, these costs are roughly $1,450 per new unit

TABLE 8. "BUSINESS AS USUAL" PROJECTIONS FOR THE TOWN OF MEEKER (LOW DEVELOPMENT PROFILE)[a]

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
TOWN OF MEEKER											
POPULATION	2200	2661	4248	6106	9448	11704	10909	11065	13000	15731	11569
OPERATING REVENUES											
AD VALOREM TAXS	40	40	60	80	120	200	240	230	240	270	320
SALES & CIG TAX	50	70	100	150	230	290	270	270	320	390	290
HIGHWAY TX ALLOC	10	10	20	30	40	50	50	50	60	70	50
CNTY RD & BRIDG	10	10	10	20	20	40	50	50	50	60	70
FED REV SHARING	20	20	30	50	70	80	90	80	90	100	70
UTILTY SERV CHG	110	150	290	410	530	660	690	800	940	1150	840
ST,CNTY,PVT CON	40	40	40	40	40	40	40	40	40	40	40
MISCELLANEOUS	20	30	50	70	110	140	130	130	160	190	140
TOTAL OP REVS	300	370	600	850	1160	1500	1550	1650	1900	2270	1820
OPERATING EXPENDITURES											
GENERAL ADMIN	60	70	100	130	190	230	220	220	250	300	230
POLICE & FIRE	40	50	120	150	250	300	280	280	320	380	290
STREETS	30	40	60	100	150	190	180	180	210	260	190
HLTH,WLFARE,REC	60	80	120	180	280	350	330	330	390	480	350
UTILITIES	110	110	160	160	210	210	210	210	210	210	210
MISCELLANEOUS	0	0	0	0	0	0	0	0	0	0	0
TOTAL(OP)	300	350	560	720	1080	1280	1220	1220	1380	1630	1270
SURPLUS/DEFICIT	0	20	40	130	80	220	330	430	520	640	550
CAPITAL REVENUES											
AD VALOREM TAXS	30	30	40	60	90	150	180	170	180	200	240
UTLTY TAP FEES	40	20	1430	1100	1150	1280	240	1020	1490	2070	0
OTHER CAP REVS	2700	20	20	30	30	40	30	30	40	40	30
TOTAL CAP REVS	2770	70	1490	1190	1270	1470	450	1220	1710	2310	270
CAPITAL EXPENDITURES											
ADMIN-CAPITAL	10	0	0	0	240	0	0	0	0	0	0
POLICE & FIRE	0	530	620	140	0	0	0	0	0	0	0
STREETS	20	200	0	200	400	0	0	0	0	0	0
PKS,REC,LIBRY	0	80	20	40	180	90	0	0	20	30	0
UTILITIES(CAP)	2700	350	140	3320	190	0	0	0	250	0	0
MISC(CAP)	30	0	0	0	0	0	0	0	0	0	0
TOTAL(CAP)	2760	1160	780	3700	1010	90	0	0	270	30	0
CAP DEBT SERVICE	330	140	230	630	790	800	800	800	830	640	840
SURPLUS/DEFICIT	10	-70	1260	560	480	670	-350	420	880	1470	-570
TOTAL SURPLUS/DEFCT	10	-50	1300	690	560	890	-20	850	1400	2110	-20

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[a] See Appendices B and F for further detail on town financial structure and description of projection methodology.

Source: Ibid

"By maintaining its present utilities rate structure and utilizing the surpluses for other purposes, the Town of Meeker could pay its own way during most of the heavy growth years. The effect of these solutions to municipal finance problems, however, is to further aggravate the difficulties in finding affordable housing. These housing problems will be discussed in Section V. Furthermore, the town will still have difficulty in paying the debt of new facilities in those years when housing growth (and thus tap fees) are leveling off.

"The most serious public finance problems in the Meeker Case Study are those confronting Meeker School District Re-1. As indicated in Table 9, the district will experience acute difficulties under the Low Development Profile for at least ten years. Operating revenues lag behind operating expenditure needs through 1984. The district has no opportunities to defer or reduce expenditures per pupil without reducing the level of services.[1] Meanwhile, its primary sources of operating revenues, local property taxes and school equalization funds from the state will lag behind the growth in pupils. Enrollment will grow much faster than new property tax revenues until the Superior Oil Shale facility nears completion. Twenty-five percent of the enrollment growth associated with the C_a oil shale operation is likely to occur in the Meeker School District; however, that facility (and, therefore, its assessed valuation) is located outside the district. School Foundation Act (equalization) funds from the state will also lag behind the arrival of new pupils. The state's allocation formula is based on the school district's enrollment for the previous school year, not the present year.

"The school district's only significant source of capital revenues is its property tax mill levy for bond redemption. Unless this levy is increased substantially, the district will not be able to finance more than a very small portion of its needed facilities. The total deficits potentially confronting the district under "business as usual" between 1976 and 1985 are $15 million.

"Without external financial assistance, it is questionable that Meeker area public officials would commit

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1. The major operating expenditure category is salaries for instruction. There is no way to defer new teacher hirings without affecting the teacher/pupil ratios in classrooms.

TABLE 9. "BUSINESS AS USUAL" PROJECTIONS FOR MEEKER SCHOOL DISTRICT RE-1 (LOW DEVELOPMENT PROFILE)[a]

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
MEEKER SCHOOL DIST											
POPULATION	660	876	1298	1873	2946	3647	3409	3480	4064	4906	3682
OPERATING REVENUES											
ADVALOREM TAXES	670	760	830	930	1720	2660	3470	4180	4990	5800	6640
ST EQLZTION FND	190	210	280	410	600	940	1160	1080	1110	1290	1560
ST TRANS FUNDS	40	60	90	120	190	230	220	220	260	310	240
OTH STATE FUNDS	40	50	90	110	180	220	210	210	250	300	220
P.L. 81-874	10	10	30	50	90	110	100	110	130	160	110
OTH FED FUNDS	0	0	0	0	0	0	0	0	0	0	0
MISCELLANEOUS	70	50	70	100	170	200	190	190	230	270	210
TOTAL OP REVS	1020	1140	1370	1720	2950	4360	5350	5990	6970	8130	8980
OPERATING EXPENDITURES											
INSTRUCTION-OP	650	870	1280	1860	2940	3640	3400	3470	4050	4900	3670
TRANSPORTATION	70	90	130	180	230	340	320	320	380	450	340
ADMIN & MISC	300	440	710	1060	1790	2230	2080	2120	2500	3040	2250
TOTAL OP EXPEN	1020	1400	2120	3120	5000	6210	5800	5910	6930	8390	6260
SURPLUS/DEFICIT	0	-260	-750	-1400	-2050	-1850	-450	80	40	-260	2720
CAPITAL REVENUES											
ADVALOREM TAXS	80	90	100	110	200	310	400	480	570	670	770
OTHER CAP	2000	0	0	0	0	0	0	0	0	0	0
TOTAL CAP	2080	90	100	110	200	310	400	480	570	670	770
CAPITAL EXPENDITURES											
CAPITAL(SCHOOL)	2110	4640	5980	2520	0	260	2100	3040	0	100	0
CAPITAL(OTHER)	20	60	0	0	0	0	0	0	0	0	0
TOTAL CAP EXPEN	2130	4700	5980	2520	0	260	2100	3040	0	100	0
CAP DEBT SERVICE	110	110	830	1130	1130	1160	1410	1780	1780	1790	1790
SURPLUS/DEFICIT	-50	-20	-730	-1020	-930	-850	-1010	-1300	-1210	-1120	-1020
TOTAL SURPLUS/DEFCT	-50	-280	-1480	-2420	-2980	-2700	-1460	-1220	-1170	-1380	1700

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[a] See Appendices B and F for further detail on district financial structure and description of projection methodology.

Source: Ibid

themselves to the expenditure levels necessary to maintain the present level of services. To do so would mean more than doubling the present local tax burden of Meeker residents for some years. Counting all property taxes, a local user and service fees and sales taxes, a family of three owning a $30,000 home in Meeker pays roughly $1,220 per year in local public charges. Assuming all of the deficits and surpluses described in Tables 7 through 9 were eliminated by adjusting local property tax rates, the household burden would need to change as follows:

Year	Local Taxes and Fees Required from a Typical Existing Household
1975	$1,220
1976	1,631
1977	1,429
1978	1,719
1979	1,510
1980	1,275
1981	1,462
1982	1,081
1983	826
1984	743
1985	1,163

CHAPTER IV

COUNTY GOVERNMENT AND IMPACT ALLEVIATION

County governments in Colorado received $286.2 million in 1974-75, according to the U. S. Bureau of Census. General revenue from the property tax was $97.9 million, and other taxes provided $8.8 million.[1] Intergovernmental revenues were $136.8 million, of which $114.4 million was from the state government.

EXPENDITURES

Total direct general expenditures were $290.9 million in 1974-75. Expenditures were: health and hospitals, $32.8 million; highways, $60.5 million; police and fire protection, $13.5 million; public welfare, $89.6 million; and all other, $93.5 million.

Total debt, which was totally long-term, amounted to $95.4 million at year-end 1974-75. Most of the long-term debt, namely $94.1 million, was non-guaranteed debt (revenue bond).

PROPERTY TAX

The most important tax source, the property tax levies, have risen from $91.3 million in 1970 to $190.2 million in 1975, including special district levies in the county.[1] The levies for fiscal 1975 were substantially higher than the collections reported by the Bureau of Census, which is accounted for in part by the fact that the Bureau of Census figures were collections, and the state figures were levies and included special districts. This constituted an increase of 108.3 percent in the five-year period. Despite the large increase in taxes, the average mill levy for counties only increased from $14.02 to $16.99 per $1,000 of assessed valuation in the past five years, which reflects the sizeable rise in assessed valuations due to real growth, inflation and reassessments.

TAXING AND BOND LIMITS

The county general fund levy limitations are as follows: 6½ mills for assessed values in the county of $40 million to $50 million; 6 mills for assessed values of $50 million to $70 million; 5.5 mills for assessed values of $70 million to $100 million; and 5 mills for assessed values over $100 million. The statutory levies can be exceeded by 1) approval by the Colorado Division of Local Government or 2) by voter approval.

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1. Denver is treated as a city by the Census Bureau and as a county levy by the state tax department

In addition, a 3 mill levy ($3 per $1,000 of assessed valuation) can be made without an election for the purpose of development, maintenance, and operation of mass transit systems, public buildings or additions, or to supplement bond issues for the same purposes. By election, this levy may be increased, and of course, limitations do not apply to repayment of bonded indebtedness. Furthermore, millage levies can be made for the following special purposes, with no limitation on the levy, namely retirement, roads and bridges, and contingency funds. Special purpose levies, which have millage limitations, are hospitals, 3 mills; libraries, 2 mills; and welfare, 2½ to 6 mills.

An umbrella-type limitation provided in the statutes specifies that millage levies may be adjusted each year, so that the total revenue collected is no greater than 7 percent more than the preceding year. This limitation on the revenues derived from property taxes may be waived by the taxing jurisdiction. The limit does not include debt service levies.

BONDED DEBT

The limitations on public indebtedness are specified by legislation in Colorado, rather than by constitutional provision. The amount of indebtedness is restricted to not-to-exceed 1½ percent of the assessed valuation of taxable property. In addition, debt can be incurred only "for the purpose of erecting necessary public building, making or repairing public roads or bridges, developing, maintaining, and operating mass transportation systems, acquiring or building airports and landing strips, including the necessary land therefore and approaches thereto.

FINANCING OF BOOM COUNTIES

The analysis of the expenditure needs in five counties in the areas of energy development by the Boomtown Financing Study indicates that there is less of a problem meeting either the operating or capital expenditure needs in the counties which were studied. Counties in Colorado may impose sales taxes which is a flexible instrument of taxation. Among the five counties, Delta imposes a one percent sales tax, Moffat County imposes a two percent sales tax, and the other counties impose none. As has been pointed out in the BTFS study, the shortfall in operating revenues in Mesa County can be financed by either a property tax increase or a one percent sales tax in the county, which, at the present time, imposes no county sales tax.

Insofar as capital outlay requirements and the financing of them are concerned, the study results, shown in

Chapter III, indicate that Mesa and Delta counties would have to obtain financing over and above debt financing from the property tax base. The source of the financing could include the imposition of sales taxes, increased capital improvement mill levies, and additional state and federal grants or loans. In this regard, it is important to note that Mesa County will receive about $800,000 a year more in revenue from the in-lieu-of-tax payments on federal lands, and Delta County will receive over $250,000 more a year from the same source. These increases should provide adequate revenues to largely overcome the gap between revenues and expenditures reflected in the subject report.

The findings by the Denver Research Institute study of Rio Blanco County indicate a deficit in the capital outlay sector of the budget during the next ten years but not in the operating accounts. As has been pointed out in the report, the recent increases in oil and gas prices have almost doubled the assessed valuation of the county. A study by the Legislative Council staff in Colorado, Memorandum #11, September 20, 1976, indicates that the tax burden of residents of Rio Blanco County, when income tax and property tax liabilities are related to adjusted gross income, was four percent, compared to 6.5 percent in the state as a whole. The average residential property tax was $135 in Rio Blanco and $446 on the average in the state. The county does not levy a sales tax, although the towns of Meeker and Rangely do, and if imposed this would provide additional funding for Rio Blanco. The county mill levy of $7.96 per $1,000 of assessed valuation is much less than in other boomtown counties, which range from $12.24 in Delta to $23.10 in Garfield.

The importance to counties of the in-lieu-of-tax payments by the federal government, under recently enacted PL94-565, is shown in Table A-4. The receipts to the counties would be even higher, if there were not the proviso that mineral lease monies and grazing fees and similar federal payments must be deducted from the monies the county is to receive under the option whereby counties are to receive 75¢ per acre (restricted to a population-determined per capital limit).[1]

Counties have received distributions from the oil shale lease fund in recent years, as indicated in Table A-1.

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1. The Federal Act PL 94-565 is shown in part in Appendix Table A-5

In addition to planning grants, counties have received funds for improvements. For example, Rio Blanco County has received over $4 million for Piceance Creek Road; Garfield County has received $471,000 for the Rulison Bridge; and Mesa County has received over $1 million for the Roan Creek Road and $300,000 for the DeBeque Bridge.

Comments

County governments in areas affected by energy developments received some financial assistance from both oil shale lease funds and the state's share of other mineral lease revenues. As has been pointed out, a county may receive up to $200,000 of local government's share of non-oil shale revenues. These revenues are shared with school districts, with neither the county nor school districts receiving more than 75 percent of the funds.

Oil shale funds have been appropriated to counties on a project by project basis by the legislature. These appropriations are a flexible source of assistance since they are not based upon formula. This procedure gives the state a flexible mechanism to attach pressing problems in affected areas.

The increase in payments in-lieu of taxes on federal lands of over $7 million a year will provide added assistance to counties. A deduction of the county's share of mineral lease and other receipts will reduce the in-lieu taxes from a maximum, which could otherwise be received. This stems from the fact that the most "beneficial" federal option, under PL 94-565, fixes the in-lieu payment at 75 cents an acre to no more than the per capita amount, which is shown in Table A-5. This "best" option requires a reduction of mineral lease and grazing fees on a dollar-for-dollar basis from the payments in-lieu of taxes. The second option provides 10 cents an acre without mineral lease deductions to a limit per capita. (See Table A-5).

While county governments rely heavily upon property taxes for both operating and debt service, other revenue sources, such as sales taxes, state and federal aid, and charges for services, are significant. However, the most important aspect from the viewpoint of the effects of rapid energy developments is the upsurge in assessed valuations as the developments take place. By virtue of being geographically the largest of local governments, the counties naturally add all of these sizeable increases in assessed valuations to the tax roll. Furthermore, *energy developments are capital intensive, and therefore the tax base increases more dramatically than do increases in work force and population. According to a recent U. S. Bureau of Mines report the investment in surface mining is $170,000 per worker rising to $370,000 as further investments are made over the following 20 years. Underground mining investment is estimated at $80,000 rising to $120,000 per worker as the mine is developed. These investments far exceed manufacturing investments per worker of $25,000 or so and commerical activities investment per worker. While there may be temporary front-end financing problems, the county units of government are in an excellent financial position for the intermediate and long-range.*

CHAPTER V

MUNICIPALITIES AND IMPACT ALLEVIATION

Municipalities in Colorado received $561.6 million in general revenue in 1974-75, according to the U. S. Bureau of Census. Taxes were the major source of revenue, with property taxes amounting to $237.5 million and other taxes, chiefly sales taxes, $79.1 million. Charges and miscellaneous revenues brought in $158.4 million. Intergovernmental revenue was received from federal sources, $78.4 million, and state sources, $69.1 million. While not included as a general revenue source, the gross receipts from utility systems were $139.3 million.

General expenditures totaled $549.8 million in 1974-75. Several major expenditures were: police and fire protection, $103.4 million; streets and roads, $66.3 million; health and hospitals, $49.4 million; public welfare, $44.6 million; and interest on debt, $16.1 million. All other expenditures by cities and towns aggregated $270.1 million.

Total debt outstanding at the end of 1974-75 was $986.6 million, of which $874.8 million was long-term debt. The total amount of full-faith-and-credit debt was $530.7 million, and non-guaranteed debt totaled $344.1 million.

TAXING AND BONDING LIMITS

The legislature has the responsibility under the constitution to establish debt limitation, except as provided by the charter of a home-rule city. The debt limitation of statutory cities and towns is three percent of actual value of taxable property in the city, excepting debt incurred in supplying water. Because the statutory level of assessment is 30 percent, the debt limitation is grossed up to ten percent of assessed valuation of property. The general obligation debt, except for supplying water, must be approved by the electorate. Oftentimes, a debt for water projects is funded as a general obligation debt, rather than as a revenue bond debt, because of market acceptability; hence the interest rate is more favorable in the money markets.

The use of revenue bonds or non-guaranteed debt has the advantage that they may be utilized without a vote of the electorate and may be amortized out of a special fund. The identification of "special funds" may, in some cases, be a moot question and requires an analysis of case law in some instances.

FINANCING OPERATING COSTS IN BOOMTOWN

A time path of revenues and expenditures is projected for Meeker in Chapter III on case studies. The Boomtown Financing Study projects the budget surplus or deficit for six towns and cities in energy impacted areas at the time of peak population. These cases are not necessarily typical.

The operating budgets, as projected for the seven towns or cities in the two subject reports, reveal no revenue shortfall, except for Rangely. Even the latter city has a projected revenue gap of minor proportions.

An important feature among these communities is the substantial revenues from tap fees, water, sewer, and other utility operations. These revenues markedly exceed the property tax revenues. An accurate net "profit" figure from these operations is not easily determined from the reports. Nonetheless, the flow of the excess revenues from these sources appears to be substantial. Since these operations are elastic and therefore grow in concert with the population increases, a community may possibly avoid a shortfall in total revenues by virtue of using utility profits as a device to bridge the revenue gap.

It should be noted that the town of Meeker will be able to finance expansion without strain, according to the Denver Research Institute report.[1] Charges for utility services, coupled with a growing sales tax base, will provide the extra income to meet expenses of operations. A similar situation apparently prevails in the six boomtowns included in the Boomtown Financing Study.

Colorado communities rely heavily upon sales taxes which respond to residential and business growth. While most local sales taxes are at a one or two percent rate, it is possible to levy a county-city tax at a combined rate of four percent, although only two cities--Vail and Aspen--impose the top rate.

Property taxes for operating purposes are constrained by statute to an increase after millage adjustments of seven percent over the previous year. However, a variance may be extended by the Division of Local Governments upon suitable showing of need. The property tax is not popular and would be constrained, in any case, as a revenue source.

The low dependence upon the property tax among Colorado municipalities is revealed by the U. S. Bureau of Census figures, which show that only 15 percent of total general revenues is from the property tax. Assessments from energy developments do not ordinarily enhance municipal evaluations. The use of alternative revenue sources and lesser dependence upon the property tax for operating has reduced the adverse impact of not enjoying the fruits of energy development.

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[1] See Chapter III

CAPITAL FACILITIES

The picture is decidely less rosy insofar as capital facility requirements are concerned. While the Meeker case study by Denver Research Institute reveals no financial problem from rapid growth, the Boomtown Financing Study, by the Colorado Division of Local Affairs, indicates a substantial revenue gap in Craig, Rangely, Grand Junction, and Paonia. The data for the Colorado cities are shown in Table 2.

Capital facility financing does suffer from the fact that towns do not get the assessed values from energy developments as a rule. These city facilities are usually financed by bonded indebtedness. Indebtedness is limited by statutes to three percent of actual valuation in Colorado for municipalities. The payment of debt service is generally from a property tax levy. An exception is sewer, water, and other utility debt, which may be backed by revenues. A debt for water purposes is not constrained by the debt limitation. In addition, water projects may be financed by general obligation debt, as well as by revenue sources. The general obligation backing enhances a security in the money markets and reduces the interest charges.

In addition to the debt limitations, borrowing is constrained by the unpopularity of property taxes per se among the taxpayers. On frequent occasions, bond proposals have been voted down. For example, the town of Rifle has had five consecutive school bond proposals voted down in recent years.

A study by C & L Associates, entitled "Hayden Community West Routt County Finance Study," was released in February, 1977. The report indicates that the town must pick and choose among the facilities that may be required to accommodate the population increases from energy-related growth. The thrust of the report is that a community must be versatile in its choice of financial paths as well as in choosing projects to fund. In other words, the use of general obligation financing, while common, is only one in a broad range of options included in a menu of financial strategies. The subject report also presents the detailed steps a community must make in consideration of both project choice and the choice and means of obtaining the necessary financing.

Colorado has not as yet developed a substantial program of financial assistance to municipalities. State aid and shared revenue in Colorado was 12.3 percent of general municipal revenue from all sources while the national average was 26.2 percent in 1974-75.

Comments

The financial problem in its entirety was a subject of a report entitled Boomtown Financing Study, released by the Department of Local Affairs of Colorado in November, 1976. The municipal problem of finance is the outgrowth of a structure which assumed that the tax base, that is, property, retail sales, etc., of a community would coincide with the public service area for the town or city. In a rural, agrarian economy, the theory is largely supported by the existing conditions. The farmer or rancher supported his public services, and the city folk supported theirs.

Even the growth in manufacturing and allied businesses did not ordinarily create the mismatch of the tax base and public needs. These industrial activities were town- and city-oriented, because the required work force, transportation services, communications, and supportive businesses were located in the town or city or on its edge.

Energy developments are not footloose; they are located in energy-rich areas in rural, unincorporated areas of a county. The workers live in town, and the public service needs are oriented to this population. In large part, the huge, growing tax base in the rural area has a rather small population to service.

As indicated in the community case studies, the public services for operations in impacted towns and cities are being met by state and federal assistance, sales taxes, utility charges, and only to a minor extent by the property tax. This strategy of financing does get the bills paid but does not enlarge the tax base to include the source of the impacts, namely the energy development.

The fact that the city or town people "tough it out" by means of increases in sewer and water charges, sales and property taxes has implications in the area of capital improvements as well. These strains to finance day-to-day operations helped create a negative attitude to-

ward increased indebtedness to build public facilities. It is when capital improvements are addressed that the weakness of the entire tax and financial structure is revealed. Taxpayers are reluctant to enlarge upon their tax exposure to meet the very substantial capital requirements for needed improvements.

In response to the needs for capital facilities, some communities have utilized state and federal grants and loans, industry loans at low interest, joint power agreements, and lease purchase agreements to augment the limited tax base. The strategies used are of a patchwork nature. A more certain, structured flow of public money is needed to rectify the problem. As was pointed out in the Denver Research Institute study of Meeker, the tap fees have been raised from $250 to $850 per new unit in 1974. And the total sewer and water tap fees are now $1,350 per new unit, with an estimated 90 percent of needed utility construction supported by tap fees. To a citizen of the community, dollars are dollars, and, even though the tap fees are shouldered mainly by newcomers, the increases in sewer and water rates will weaken the financial posture of both new and old residents and make them reluctant to increase both utility rates in the future as well as other types of revenue sources, such as the property or sales tax.

The entire issue was set forth by the Boomtown Financing Study incisively: "The problem facing municipalities is due to enlarged expected influx of new residents without a corresponding increase in the tax base. Energy facilities tend to be located outside city limits, and, in one case, across the state line and usually do not directly affect the assessed valuation of the municipality. Municipal revenues are often based on the sales tax receipts, user fees, and other fees which tend to increase with the population. In most cases analyzed, these increased revenues should be adequate to cover operating costs but not debt service costs of major capital improvements.

"If municipalities fail to provide needed public facilities, particularly water and sewer systems, the ability of the community to provide adequate housing at reasonable cost is seriously impaired. Under these circumstances, construction of new housing will require wells and septic tanks or other less than satisfactory arrangements. This, of course, creates long-term problems and adds to the cost of new housing.

"Municipalities have little incentive to finance capital improvements through debt, because the burden of repayment cannot be passed on to energy companies. Water and

sewer tap fees are a more reasonable source of funds.[1] *Other potential revenue sources to finance municipal capital needs are sales tax increases, direct aid from energy developers, EPA grants, and other state and federal assistance."*

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1. "One rule of thumb followed by bond underwriters in the Rocky Mountain region is that all bonds should be supportable, if necessary, by the present assessed valuation of the bonding entities. Bonds should be supportable without more than a 20 percent increase in local property taxes and utilities user charges even if further development does not occur. Based on this standard, public entities in the case study areas could bond themselves for only a small fraction of the facilities they need in a timely fashion." (Quoted from Denver Research Institute Report, op. cit.)

CHAPTER VI

SCHOOL DISTRICTS AND IMPACT ALLEVIATION

School districts in Colorado received $793.6 million in general revenue in 1974-75. The data from the most recently released U. S. Bureau of Census report indicate that the major source of revenue was from intergovernmental aid, which amounted to $390.7 million. State aid was $371.7 million, and federal aid was $18.2 million. Tax revenues provided $402.9 million, which was almost entirely from the property tax which brought in $342.7 million. Charges and miscellaneous general revenue accounted for $59.9 million.

Total general expenditures were $909.3 million, including $25.8 million in interest on general debt. Total long-term debt, which was full-faith-and-credit, amounted to $565.6 million.

The state has 189 school districts, but 20 of the districts account for 75 percent of the total enrollment. For all of the school districts combined, the state equalization payments in 1976 will amount to $340.3 million, or 35.7 percent of the total expenditure of $953.7 million. In addition to a property tax levy totaling $441.5 million, the districts receive $171.9 million from interest on investments, specific ownership tax, tuition, transportation, charges, and other local sources, as well as federal funds. In addition to the general fund property tax, which is expected to produce $354.7 million, the school districts make levies for bond redemption fund purposes for the retirement of district debt and capital reserve fund purposes for the acquisition of facilities, land, and major equipment items. The general fund levy by school districts averaged 42.05 mills, a bond redemption fund levy was 6.65 mills, and the average mill levy for capital reserve funds was 3.64 mills in 1975-76.

The school millage levies in six of the counties, which are experiencing impacts from energy developments, are shown in Table A-6. In general, the mill levies for school purposes in these areas are in the range of 35 to 45 mills (which is equivalent to dollars per thousand dollars of assessed valuation). The lowest mill levy was for the Rangely district, namely 6.45 mills, and the highest was for Grand Valley in Garfield County, 61.79 mills for 1975, collectable in 1976. It will be noted that these property tax levies are, in general, below the statewide average rates.

In addition to the state aid programs for all school districts, the schools in impacted areas have received grants from the oil shale lease funds, as indicated in Table A-1. The amounts appropriated in 1976 and 1977 varied from $17,000 for schools in Delta County to $1.2 million for the Meeker School System. Other large recipients were Craig schools, $670,000 in 1976; Rifle School District, $1 million in 1976; Grand Junction School District, $400,000 in 1976; and DeBeque School System, $36,000 in 1976. The school districts in areas of mineral production are eligible to receive a portion of the monies allocated to the counties. The county allocation of state receipts for FY 76 are shown in Table A-3. To illustrate the apportionment scheme, the reader is directed to Moffat County. The total state's share from non-oil shale minerals, which are subject to federal royalties, was $870,918. Because the state has an upper limit of $200,000 a year which can be allocated to any county, Moffat received $200,000, which can be used for roads and schools. One-third of the money raised in Moffat County, namely $290,306, flowed to the state public school fund, and an additional $380,612 spilled over to the state public school fund because of the upper limit a county can receive for road and school purposes.

In Rio Blanco County, the county received $200,000 and $6.7 million went to the public school fund by formula and the remainder from the spillover effect.

TAXING AND BONDING LIMITS

As established by the legislature, school districts have a limit on bonded indebtedness equal to 20 percent of the assessed valuation of taxable property. In order to improve the interest rate and marketability of bonds, a school district may enter into a contract of guarantee with the state board of land commissioners. Under the agreement, if a school district is unable to make principal and interest payments as they become due, the board will lend public school permanent funds to the district in the amount necessary to meet the deficiency. A school district is required to repay the loan with interest at a higher than normal rate at a later date.

SCHOOL DISTRICT OPERATING PROGRAMS

Under the Colorado School Assistance System, a school district receives state aid in relation to the property tax yield of 1 mill on assessed valuations. In 1977, the state guarantees that each mill will raise $31.72 of combined state and local revenue per pupil. As assessed valuations rise, the amount of revenue raised per mill locally may also rise. In this case, the difference between the state guarantee and what 1 mill will raise becomes a smaller amount, and state aid is therefore reduced. A minimum of $10.85 per mill per pupil is guaranteed by the state, and consequently aid is not allowed to decline below this floor.

A district has an authorized revenue base which is comprised of the property tax revenue to be raised by the district, plus the amount of state equalization support provided by the state aid formula, divided by the average daily attendance entitlement. This base may be increased by seven percent per year. In simple terms, the state makes up the difference between the local levy per mill per pupil and $31.92 per mill per pupil. Thus, a rapidly rising assessed valuation for energy developments will increase the local property tax element and thereby reduce the per pupil state aid.

It is important that enrollment data are kept up to date. If enrollments are rising and therefore understated in the Fall count, a school district will receive less aid than it is entitled to receive. A legislative proposal has been introduced to remedy this situation in part by raising Fall enrollment figures by 40 percent of the previous year's increase to the extent the increase is in excess of four percent.

Despite the substantial state aid program, the Denver Research Institute study, as shown in excerpt in Chapter III, projects a shortfall in school operating revenues in Meeker until 1982. The annual revenue gap would rise to $2 million a year in 1977 and then decline. Of course, a deficit is not allowed by law, and consequently the school program would have to be cut back, if the millage levy is not increased or additional outside assistance received.

A similar situation was projected by the Boomtown Finance Study in a review of school districts in Rio Blanco, Mesa, and Delta counties, as shown in Chapter III. The estimated required millage increases in the three school districts would result in a levy less than the current statewide levy of 42.05 mills, except in the case of District 51 in Mesa County.

CAPITAL FACILITY FINANCING

Capital facilities are financed by bonds and capital reserve funds. Statewide, the average levies were 6.65

mills and 3.64 mills respectively for debt service and reserve funds. There is a debt limit of 20 percent of assessed valuation and four mills for capital reserve fund purposes.

The Meeker school case study (Chapter III) projects an annual deficit in revenue to finance annual debt service rising to $3 million in 1979 and aggregating about $15 million during the 10-year period. Denver Research Institute stated that, "Without external financial assistance, it is questionable that Meeker area public officials would commit themselves to the expansion levels necessary to maintain a present level of services."

A similar finding was reached in the Boomtown Financing Study. The study's results in Table 6 show a sharp increase will be necessary in present capital reserve funds if peak year needs are to be financed. Substantial increases in debt, and therefore debt service payments, would be required to finance the new buildings and equipment necessary to operate an adequate school program.

Comments

School debt limits in Meeker would be less than projected debt requirements during four of the early years following energy development. Furthermore, the debt required during the other years to 1985 to construct needed facilities may exceed the willingness of the residents to approve the bond issues.

Meeker schools have received $1.2 million from the oil shale lease fund. A proposal to channel the interest from the oil shale-invested funds and the increased mineral lease revenues into an impact fund may provide additional assistance in the future. The magnitude of capital facilities needs for all impacted schools, however, far exceed the likelihood of adequate state assistance from these actions alone.

Rio Blanco County received $200,000 from the non-oil shale distribution in 1975. These funds were allocated to schools and roads, with neither source receiving more than 75 percent of the revenue. The $200,000 limit, as set by the legislature on distribution, despite the collection of $6.9 million in Rio Blanco County of the total state share of Federal lease money of $9.6 million, casts some doubt on the validity of such a vigorous limit.

It would be easy to recommend that the school district taxpayers "bite the bullet" and incur high millage tax rates. On the other hand, if property tax levies are *raised above the average, the question arises as to whether an onerous burden may be placed on the taxpayers in impacted areas.*

Oil shale monies have been released as well to the schools in Craig ($701,000), Rangely ($10,000), Grand Junction ($442,575), and DeBeque ($260,000) during 1975-77. Under current conditions, the state might consider a strategy of channelling larger amounts of revenue to schools in areas impacted by energy development from both the oil shale and other mineral lease revenues. In 1975, for example, a total of $7.98 million of the $9.6 million non-oil shale mineral lease funds spilled over into the public school fund, which is distributed to all districts in the state. From the standpoint of efficiency, the provision of good schools in impacted communities may take precedence over the equity issue of providing for all areas declining or growing.

CHAPTER VII

FINANCIAL STRATEGIES FOR ALLEVIATION OF COMMUNITY IMPACTS RESULTING FROM ENERGY DEVELOPMENTS

A prescription for the alleviation of financial pressures in Colorado communities affected by energy-related developments must differ in some respects from some of the other western states studied. The reason for the differences stems from the legal framwork within which the governments may function. First, the state imposes no severance tax on coal according to the U. S. Bureau of the Census. A tax is levied on coal production at a rate of 0.7 cents per ton which yields on the order of $50,000 a year currently for deposit into the coal miner inspection fund. This is called a severance tax by some observers; the state does impose a severance tax on oil and gas production, which is effectively a low-order tax as a result of the allowance for a deduction of most oil and gas property taxes. Second, the state has not established an impact fund designed to mitigate community financial problems aside from the use of the Oil Shale Trust Fund and interest income therefrom. Third, there are no large permanent trust funds which may serve as a basis of loans to local governments. Lastly, the ability of the state government to borrow or receive advances of funds such as mineral lease funds may be precluded by the restrictions in the state constitution.

STATE GOVERNMENT

Findings

There is a trivial tonnage tax on coal production in Colorado.[1] The deduction of local property taxes greatly reduces the potential severance tax revenue from oil and gas production.

The state's share of federal mineral lease revenues other than oil shale has been allocated thus: 1) two-thirds to the county of origin of the receipts for schools and county road purposes, with the excess over $200,000 in any county distributed to the state public school fund, and 2) one-third to the state public school fund. By statute, the two-thirds allocated to the counties has been apportioned within the counties, with no more than 75 percent to either county road purposes or school purposes. In practice, the counties have allocated the bulk of their revenues for county road purposes.

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[1] A coal severance tax has passed both Houses of the legislature and awaits action by the Governor at the time of this writing. See Chapter II for details.

Under recent federal legislation, the state's share of federal mineral lease receipts has been raised to 50 percent from 37½ percent of the total, and the restriction of expenditures to road and school purposes has been eliminated. The revenues are now to be expended as directed by the state legislature, giving priority to the alleviation of social and economic impacts in communities affected by mineral production and related developments.

As a result of the extremely rigid provisions in the state constitution regarding the state incurring debt, it is difficult to issue general obligation debt securities or to receive advances against future tax or mineral lease revenues.[1] Furthermore, while the needs of certain communities are immediate and pressing, the expenditures required to alleviate socio-economic impacts in communities appear to create a continual year-to-year revenue need as energy projects reach a production stage. Therefore, from the viewpoint of the state, it may be unwise to borrow substantial money at this time since present borrowing by means of bonds or other devices will divert some future revenues into debt service payments.

During the past four years a portion of the state Oil Shale Trust Fund revenues from leased federal lands has been appropriated to affected communities including coal-producing areas. The interest from oil shale fund investments has been used for impact mitigation in various areas affected by mineral development.

Alternative Strategies

A state severance tax on coal, oil shale, and uranium could be adopted with the revenues dedicated, in large part, to a state community impact assistance fund.

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1. Colorado constitutional provisions were discussed by James B. Daley in *Financing Housing and Public Facilities in Energy Boom Towns*, Rocky Mountain Mineral Law Institute, 1977. In particular the state is forbidden to contract any debt except to provide for casual deficiencies of revenue, erect public buildings, suppress insurrection, and defend the State or the United States. Colo. Constitution, Ar. V, Sec. 3

Property tax deductions could be eliminated from calculations of oil and gas severance taxes.

A portion of the state-shared mineral lease revenues could be deposited in a community impact assistance fund for impacted local governments.

Oil shale funds could be granted, in part, to communities affected by energy developments. A portion of these funds could also be loaned to local governments to finance public facilities and/or services.

The state could be authorized by state law to be the liaison in obtaining loans to be used by local government from advances specified under Section 317(c) or PL 94-579 (it cannot now by law).

State taxation of energy conversion facilities may be enacted in lieu of local property taxes.

Recommended Strategy

A substantial share of severance tax and other revenues, including the recent one-third increase from federal mineral receipts, should be placed in a state fund to be granted or loaned at the discretion of an appropriate state board to alleviate socioeconomic impacts caused by energy developments. The remainder of the mineral lease revenues should be distributed to the state public school fund, with a hold harmless clause in order not to reduce the current amount going to schools.[1]

The counties have been receiving about $1.5 million a year from mineral lease monies. A recent Federal Act (PL 94-565) requires that mineral lease monies received by a county must be deducted, dollar-for-dollar, from the in-lieu-of-tax payments, if the county adopts the formulae of most substantial aid, namely 75 cents an acre to the per capita limit, as shown in Appendix Table A-3. The alternative option, which does not require a deduction of mineral lease payments, is based upon 10 cents per acre of federal entitlement lands to the per capita limit, as shown in Table A-3. It is recommended that the state provide the counties with an equivalent amount of state monies from severance taxes or other sources, in order not to adversely affect their financial positions due to the deduction of mineral lease money required under payments--in-lieu-of-taxes.

The state should not obtain advances of federal lease monies which may be available under Section 317(c) of the recently enacted Public Law 94-579 but should be a liaison in screening local requests for advances in order to coordinate with state local assistance programs and preclude by passing the legislature. This recommendation may be academic because there may be an inadequate appropriation by Congress which would permit states or local units to borrow money under this Act.

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[1] This strategy has been set forth in proposed legislation as reviewed in Chapter II.

In addition, it would appear unwise for the state to borrow against future severance taxes and other revenues by means of a development authority. This is not to say that communities should not borrow funds from a state impact assistance fund. Communities have front-end revenues requirements to provide public facilities in the early stages of development; the state has a responsibility to provide assistance to impacted communities as needs arise. Nevertheless, the state government will experience continual requests for assistance as communities undergo development in future years, and therefore that state should not obligate future revenues by present-year borrowing. It should be noted that an increase in revenue from taxes and mineral lease royalty income allocated to local governments as grants will enhance their credit rating and thus their ability to borrow needed funds through traditional bond markets.

A coal severance tax should be levied upon the gross production value, as defined by the Internal Revenue Service, for depletion purposes in federal income tax regulations. (This is equal to the gross value near the location of the mine mouth.) No distinction between underground and surface mining coal is necessary; often a lower tax on underground coal production is advocated because such mining allegedly does less environmental damage. There are, however, non-tax devices which may be utilized to encourage underground mining.[1]

It is also argued that underground mining costs of extraction are higher than surface mining operations, and therefore the tax should be lower. It may be observed, however, that, while the costs are higher for underground mine coal, the market price is over twice as great as that of surface-mined coal because most of the underground mined coal is used for coking purposes. Therefore, a uniform tax rate based upon a number of cents per ton still favors underground coal (for example, a fifty-cent a ton tax is equal to two percent of twenty-five-dollar-a-ton underground mine coal and five percent of ten-dollar-a-ton-surface mine coal).[1]

The interest from the investment of Oil Shale Trust Fund should be placed in a state community assistance

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1. These paragraphs reflect the opinion of the author which are arguments not endorsed by the Governor's office nor by a substantial number of Colorado legislators.

impact fund to be expanded by authorized government officials for alleviation of socioeconomic impacts in communities. An amount of the principal of oil shale funds should be appropriated by the legislature to assist distressed communities that have a demonstrable need to mitigate impacts from energy development. A major portion should be preserved for impacts from oil shale development.

Energy conversion facilities, such as power plants, uranium and synfuel facilities should be taxed by the state on the basis of gross output of the operation and receive an exemption from the property tax when the enterprise achieves commercial production status. The revenues could be equivalent to the yield of a property tax at average tax rates and be distributed as follows: one-fourth to the state government, one-fourth to the governmental units at the location of the enterprise, and one-half to local governments on the basis of the residence of the workers who are employed in the operations. Tax revenues distributed on the basis of residence should be allocated in proportion to the previous year's expenditures of the governmental units for operations and debt service combined. The energy development company should be required to report the residence of each currently employed worker during each quarter of the year.

MUNICIPALITIES

Findings

Energy developments which convert minerals into electric power, synthetic fuels, and other energy sources create major additions to the property tax base in the taxing jurisdictions where they are located. The workers employed in the construction and/or operation of these facilities, however, may not reside in the same governmental jurisdiction in which a plant is located. The rural, unincorporated areas receive a sharp increase in taxable valuations, while the workers often reside in town and their children go to town schools. The towns and cities in particular find that their public budgets burgeon, while their tax rolls and revenues grow only gradually.

Colorado has not as yet developed a comprehensive or substantial program of financial assistance to municipalities. State aid and shared revenue in Colorado was 12.3 percent of general municipal revenue from all sources, while the national average was 26.2 percent in 1974-75.

As indicated in the community case studies, the public services for operations in impacted towns and cities are being met by state and federal assistance, sales taxes, utility charges, and only to a minor extent by the property tax. This strategy of financing does get the bills paid but does not enlarge the tax base to include the source of the impacts, namely the energy development.

The fact that the city or town people "tough it out" by means of increases in sewer and water charges, sales and property taxes has implications in the area of capital improvements, as well. These strains to finance day-to-day operations can help create a negative attitude toward increased indebtedness to build public facilities. It is when capital improvements are addressed that the weakness of the entire tax and financial structure is revealed. Taxpayers are reluctant to enlarge upon their tax exposure to meet the very substantial capital requirements for needed improvements.

Alternative Strategies

The most pressing need in the alleviation of adverse impacts on financial systems is measures to increase municipal revenues from both grants-in-aid and loanable funds. The cities and towns should make a concerted effort to alert the state and federal governments to their financial requirements.

The municipalities can develop the time path of revenues and expenditures based upon realistic projections of future energy development activities and the resulting growth in population. These studies would be a valuable tool in illustrating the problem which exists, if any, and thereby focus the attention of appropriate state and federal officials.

The studies and forecasts of local operating and capital facility needs will furnish a basis for the town or city to establish local taxes, such as the optional sales tax, as well as appropriate user charges for sewer and water tap fees and service charges, as well as miscellaneous revenues, such as parking meter receipts and garbage collection fees.

The municipalities should encourage the county governments, which are receiving enhanced assessed valuations due to the increased energy developments, to provide services to the residents, both inside and outside of cities and towns. An effort should be made to establish joint authorities in order to share in a larger revenue base as well as an improved coordination in administration. The municipalities should encourage the regional councils of government in bringing about a regional focus on the local community problems.

The communities should investigate the feasibility of annexing the tracks immediately adjacent to the municipalities, in order to achieve the economies of scale as well as an enrichment of the taxable property base.

Recommended Strategy

The alternative strategies, which are mentioned above, all have considerable merit in an action program. The major thrust of a program to alleviate the fiscal pressures on towns and cities should be placed on devices to increase the taxing base. While recognizing that an innovative program, such as the special district mechanism available in the State of Utah, may require some statutory, as well as constitutional, changes, an effort should be made to bring into the taxable property base the multimillion dollar valuations of energy developments. A device similar to the one used in Utah is the Fiscal Disparities Act, through which a portion of the increased industrial valuations in the Minneapolis-St. Paul area are shared by all municipalities in that region.

COUNTY GOVERNMENT

Findings

County governments in areas affected by energy developments have been receiving financial assistance from mineral fuel production or bonus payments. First, oil shale funds have been appropriated to counties on a project-by-project basis after legislative appropriation. Second, counties have been receiving (up to a $200,000 maximum) a share of federal mineral lease money from other than oil shale leases. In addition, under a recent federal act, PL 94-565, counties will receive payments in-lieu-of-taxes on federal lands at a rate of 75 cents an acre to a limit based on a per capita amount. Under this option provided in the federal act, the revenues from mineral leases and grazing fees must be deducted from the payments in-lieu-of-taxes. It is expected that the payments in-lieu-of-taxes will total near $8 million a year if the currently discussed federal appropriation of $100 million is made.

While there may be temporary front-end financing problems, the counties are in a good financial position for financing intermediate and long-range needs. This is so because the large geographical size of the county results in the county property tax rolls growing simultaneously with energy developments.

Alternative Strategies

The counties may share in grants from a state community impact assistance fund. It would be advisable for the state authority created to administer the program to pay particular attention to those counties located near energy developments but which are not receiving the full benefits of increased assessed valuations.

Oil shale funds could be granted to county governments, as has been the past practice, and in addition loans from the oil shale fund could be made to county governments on favorable terms. This latter strategy would enable impacted counties to utilize the oil shale funds without absorbing any of the principal. Although tying up of the principal for a time will be resisted by some oil shale areas, the judicious use of the funds for five-year loans may be accepted.

Recommended Strategy

Counties should develop planning documents which set forth the priorities for effective expenditures of grant and loan funds for impact alleviation.

County governments should use mechanisms provided by Colorado law either to finance municipal-type functions or to share their taxable property base with towns and cities in a joint powers program to mitigate impacts.

SCHOOL DISTRICTS

Findings

The school districts in the areas of energy development have received state impact assistance from oil shale funds as well as a portion of the money shared with counties from mineral lease receipts from federal lands located in the county. Furthermore, the schools receive the state equalization revenues from the state school aid program.

School districts are, in general, in a much better position than are towns and cities because a school district often finds its valuation increased by the energy developments taking place. An early shortfall in revenues compared to expenditures may be compensated by the eventual rise in taxable valuations. There may be instances, such as the Meeker school case study by Denver Research Institute, where there will be a difficulty for a number of years in meeting the needs for capital facilities. In such instances, state assistance to the district may be required so the school facilities do not become sub-standard.

Alternative Strategies

In distributing state assistance under the foundation program, the state could consider an adjustment in school enrollment figures in areas of rapid development.

There is a proposal added to state school aid legislation, SB 138, to increase school aid to a rapidly growing district. The aid would be equal to a 40 percent increase per pupil budgeted amounts to the extent the enrollment increase exceeds 3 percent. The upward trend in enrollments in these areas understates the fall enrollment figures upon which state aid has been distributed.

There might well be a continuation of the distribution of grant monies to school districts from oil shale funds. In distributing the grants, there could be particular attention devoted to school districts which enroll the children from parents working in energy developments, despite the fact that the development may be located outside of the particular district.

The mineral lease monies from other than oil shale leases are now distributed to counties for road purposes and schools. The federal requirement that the monies distributed to counties are to be deducted from payments in-lieu-of-taxes creates a situation whereby these monies perhaps could be channelled in part to school and in part to municipalities.

A state impact assistance fund for the affected communities could consider the needs of adversely affected school districts. Oil shale investment funds may be loaned to school districts which are in need of loanable funds on terms of favorable repayment and interest rates.

Recommended Strategy

The state should provide grant monies to school districts from the state impact assistance fund. Loanable funds should be provided to school districts from the oil shale funds on a short-term basis in order to keep the principal of the fund intact.

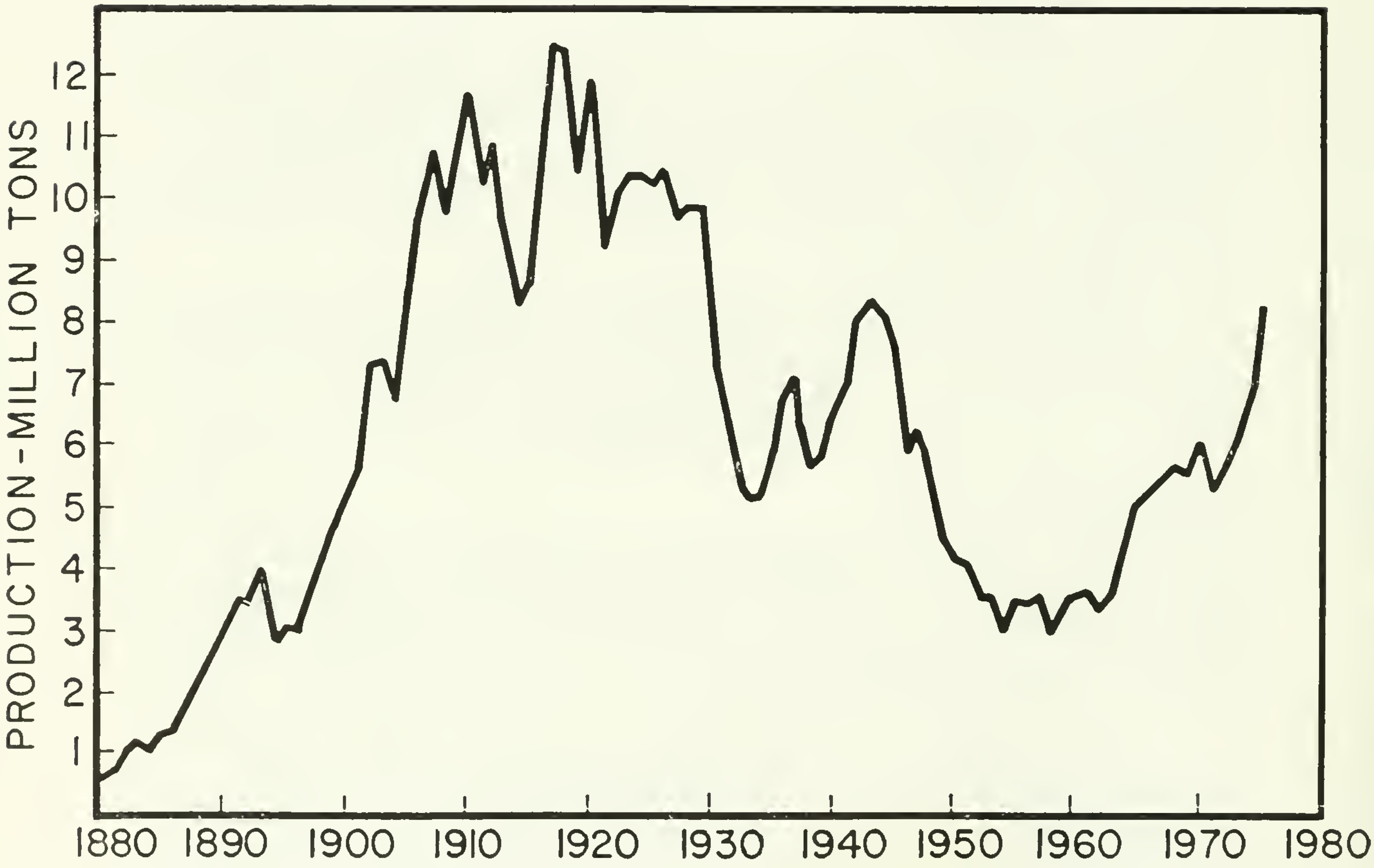
There should be a modification in the state foundation program insofar as the enrollment formula is concerned. Enrollment figures in the impacted school districts should be increased to take into account the upward trend in enrollments during periods of rapid growth. This would increase the amount of state aid to such districts.

There are school districts which enroll pupils who are the children of workers in energy developments. In some cases, these schools do not receive increased valuations based on the developments. The state impact assistance office should direct particular attention to these districts in distributing grants or loans.

Appendix

Figure A-1

COLORADO COAL PRODUCTION, 1880-1975



Source: *Keystone Coal Industry Manual*, 1976

Table A-1

COLORADO OIL SHALE LEASE FUND SUMMARY
(As of January 1, 1977)

RECEIPTS

Date	Source	Amount
August 1974	Federal Government	$24,607,020
August 1975	Federal Government	24,607,020
August 1976	Federal Government	24,607,020
July 1, 1976-June 30, 1976	Interest	2,685,617
July, 1976-Dec. 31, 1976	Interest	1,899,229
	Total	$78,405,906

WITHDRAWALS

Year	Appropriated	Transferred To General Fund	Expended
FY 1975	$ 451,187	$ 325,926	$ 325,926
FY 1976	10,385,310	9,976,301*	8,647,801
FY 1977	4,239,646	1,177,122	345,440
	$15,076,143	$11,479,349	$9,319,167

FUND BALANCES

Oil Shale Fund	General Fund	Total
$66,926,557	$2,160,182	$69,086,739

OUTSTANDING COMMITMENTS

Appropriation	Amount
FY 1975	None
FY 1976	$1,190,000 (Approx)
FY 1977	4,000,212 (Approx)
	$5,190,212

AVAILABLE FOR FUTURE APPROPRIATIONS

$63,892,527 (Plus future interest)

* $2,700,000 Transferred to Water Projects Construction Fund

Table A-1, Page 2

OIL SHALE LEASE FUND DISTRIBUTIONS

MOFFAT COUNTY

Recipient	Fiscal Year	Appropriated
Craig Schools	'75	$ 31,000
	'76	$ 670,000
Town of Craig	'77	$ 51,456
Water Tank	'77	$ 215,000
Hospital	'77	$ 230,000
Mental Health	'77	$ 34,000
County Planning	'75	$ 10,000
	'76	$ 25,000
TOTAL		$1,266,456

RIO BLANCO COUNTY

Recipient	Fiscal Year	Appropriated
Meeker Schools	'75	$ 1,000
	'76	$1,189,000
Rangely Schools	'76	$ 10,000
Town of Meeker		
Water System	'76	$ 900,000

RIO BLANCO COUNTY (cont.)

Recipient	Fiscal Year	Appropriated
Town of Rangely		
Water System	'76	$ 600,000
Sewer System	'77	$ 460,000
County		
Planning	'75	$ 10,000
	'76	$ 25,000
Piceance Creek Road	'76	$ 2,200,000
	'77	$ 2,135,000
Bonanza Road	'76	$ 171,000
TOTAL		$ 7,704,000

GARFIELD COUNTY

Recipient	Fiscal Year	Appropriated
Schools		
Roaring Fork	'75	$ 8,000
	'76	$ 200,000
Rifle	'75	$ 12,389
	'76	$ 1,000,000
Grand Valley	'76	$ 121,057
Town of Rifle		
Water System	'76	$ 400,000
Planning	'77	$ 22,000
Town of Carbondale		
Water System	'76	$ 800,000
Planning	'77	$ 18,000

Table A-1, Page 4

GARFIELD COUNTY (cont.)

Recipient	Fiscal Year	Appropriated
Town of Silt		
Sewer Planning	'77	$ 6,666
Town of New Castle		
Sewer Planning	'77	$ 6,666
Town of Grand Valley		
Planning	'77	$ 10,000
County		
Planning	'75	$ 10,000
	'76	$ 25,000
	'77	$ 50,000
Rulison Bridge	'76	$ 471,000
TOTAL		$ 3,160,778

MESA COUNTY

Recipient	Fiscal Year	Appropriated
Schools		
Grand Junction	'75	$ 42,575
	'76	$ 400,000
DeBeque	'75	$ 7,260
	'76	$ 36,000
Town of DeBeque	'77	$ 147,000
Water & Sewer Planning	'77	$ 15,000
County		
Planning	'75	$ 10,000
	'76	$ 25,000

Table A-1, Page 5

MESA COUNTY (cont.)

Recipient	Fiscal Year	Appropriated
County (cont.)		
DeBeque Bridge	'76	$ 299,658
Roan Creek Road	'76 '77	$ 467,595 $ 665,858
TOTAL		$ 2,115,946

ROUTT COUNTY

Recipient	Fiscal Year	Appropriated
Town of Hayden		
Streets	'76	$ 50,000
Schools	'77	$ 25,000
County Roads	'76	$ 100,000
County Planning	'76	$ 20,000
TOTAL		$ 195,000

DELTA COUNTY

Recipient	Fiscal Year	Appropriated
Schools	'77	$ 17,000

Table A-1, Page 6

COLORADO WEST AREA COUNCIL OF GOVERNMENTS

Recipient	Fiscal Year	Appropriated
Planning	'75	$ 781
	'76	$ 52,000
	'77	$ 25,000
TOTAL		$ 77,781

TECHNICAL ASSISTANCE *

Region XI + Routt		$ 28,000

OFFICE OF THE GOVERNOR **

State Impact Report	'75	$ 92,734
Administration	'75	$ 87,187
	'76	$ 100,000
	'77	$ 106,000
TOTAL		$ 385,921
		$14,950,882

GRAND TOTAL

$14,950,882

* Available for planning - must be matched two for one.

** Supports Oil Shale Coordination Office plus travel and per diem of Western Slope Impact Advisory Committee and other energy development related travel and operating expenses authorized by the Governor.

Source: George E. Wear, Assistant Director for Oil Shale Planning and Coordination, Office of the Governor

Table A-2

COUNTY ALLOCATION OF STATE RECEIPTS FROM THE FEDERAL MINERAL LEASING ACT FOR FISCAL YEAR 1975 1/
(Non-Oil Shale Monies)

County	Total State Share	2/3 to County	1/3 to Public School Fund	Spillover to Public School Fund
Adams	$ 165	$ 110	$ 55	$
Alamosa	5,703	3,802	1,901	
Arapahoe	13,141	8,761	4,380	
Archuleta	4,875	3,250	1,625	
Baca	16,573	11,049	5,524	
Bent	28,062	18,708	9,354	
Boulder	9	6	3	
Chaffee	0	0	0	
Cheyenne	525	350	175	
Clear Creek	0	0	0	
Conejos	7,332	4,888	2,444	
Costillo	0	0	0	
Crowley	5,340	3,560	1,780	
Custer	5,153	3,435	1,718	
Delta	77,802	51,868	25,934	
Denver	0	0	0	
Dolores	215,625	143,750	71,875	
Douglas	23	15	8	
Eagle	28,465	18,977	9,488	
Elbert	1,996	1,331	665	
El Paso	1,071	714	357	
Fremont	270	180	90	
Garfield	164,298	109,532	54,766	
Gilpin	0	0	0	
Grand	44,841	29,894	14,947	
Gunnison	97,332	64,888	32,444	
Hinsdale	156	104	52	
Huerfano	26,844	17,896	8,948	
Jackson	100,015	66,677	33,338	
Jefferson	0	0	0	
Kiowa	15,081	10,054	5,027	
Kit Carson	716	477	239	
Lake	0	0	0	
La Plata	14,574	9,716	4,858	
Larimer	2,331	1,554	777	

Table A-2, Page 2

County	Total State Share	2/3 to County	1/3 to Public School Fund	Spillover to Public School Fund
Las Animas	$ 92,232	$ 61,488	$ 30,744	$
Lincoln	2,781	1,854	927	
Logan	2,734	1,823	911	
Mesa	286,447	190,965	95,482	
Mineral	0	0	0	
Moffat	870,918	200,000	290,306	380,612
Montezuma	89,997	59,998	29,999	
Montrose	96,352	64,235	32,117	
Morgan	9,051	6,034	3,017	
Otero	30,169	20,113	10,056	
Ouray	3,893	2,595	1,298	
Park	9,231	6,154	3,077	
Phillips	608	405	203	
Pitkin	24,181	16,121	8,060	
Prowers	6,087	4,058	2,029	
Pueblo	22,149	14,766	7,383	
Rio Blanco	6,900,623	200,000	2,300,208	4,400,415
Rio Grande	330	220	110	
Routt	123,530	82,353	41,177	
Saguache	4,160	2,773	1,387	
San Juan	0	0	0	
San Miguel	109,197	72,798	36,399	
Sedgwick	481	321	160	
Summit	0	0	0	
Teller	0	0	0	
Washington	8,745	5,830	2,915	
Weld	15,686	10,457	5,229	
Yuma	10,122	6,748	3,374	
Total	$9,598,026	$1,617,657	$3,199,342	$4,781,027
Total to School Fund 2/			$7,980,369	

1/ State allocation is pursuant to Article 63, Title 34, C.R.S. 1973.

2/ Does not reflect deduction for "New Field" payments, if any.

Source: State Department of the Treasury.

Table A-3

COUNTY ALLOCATION OF STATE RECEIPTS FROM THE FEDERAL MINERAL LEASING ACT FOR FISCAL YEAR 1976 AND ESTIMATED FOR FISCAL YEAR 1977
(NON OIL SHALE MONIES)

	Total State Share			2/3 to County			1/3 to Public School Fund			Spillover to Public School Fund		
	Actual 1975-76	Estimated Under New Law	Amount of Increase	Actual 1975-76	Estimated Under New Law	Amount of Increase	Actual 1975-76	Estimated Under New Law	Amount of Increase	Actual 1975-76	Estimated Under New Law	Amount of Increase
Adams	$ 135	$ 180	$ 45	$ 90	$ 120	$ 30	$ 45	$ 60	$ 15	$	$	$
Alamosa	924	1,232	308	616	822	206	308	410	102			
Arapahoe	9,556	12,738	3,182	6,374	8,496	2,122	3,182	4,242	1,060			
Archuleta	5,332	7,108	1,776	3,556	4,741	1,185	1,776	2,367	591			
Baca	18,577	24,763	6,186	12,391	16,517	4,126	6,186	8,246	2,060			
Bent	22,197	29,589	7,392	14,805	19,736	4,931	7,392	9,853	2,461			
Boulder	7	9	2	5	6	1	2	3	1			
Chaffee	---	---	---	---	---	---	---	---	---			
Cheyenne	573	764	191	382	510	128	191	254	63			
Clear Creek	---	---	---	---	---	---	---	---	---			
Conejos	7,332	9,774	2,442	4,890	6,519	1,629	2,442	3,255	813			
Costilla	---	---	---	---	---	---	---	---	---			
Crowley	5,325	7,098	1,773	3,552	4,734	1,182	1,773	2,364	591			
Custer	5,153	6,869	1,716	3,437	4,582	1,145	1,716	2,287	571			
Delta	73,287	97,692	24,405	48,882	65,161	16,279	24,405	32,531	8,126			
Denver	---	---	---	---	---	---	---	---	---			
Dolores	203,947	271,861	67,914	136,033	181,331	45,298	67,914	90,530	22,616			
Douglas	452	602	150	302	402	100	150	200	50			
Eagle	31,229	41,628	10,399	20,830	27,766	6,936	10,399	13,862	3,463			
Elbert	1,923	2,563	640	1,283	1,710	427	640	853	213			
El Paso	1,079	1,438	359	720	959	239	359	479	120			
Fremont	52	69	17	35	46	11	17	23	6			
Garfield	206,117	274,754	68,637	137,480	183,261	45,781	68,637	91,493	22,856			
Gilpin	---	---	---	---	---	---	---	---	---			
Grand	44,696	59,580	14,884	29,812	39,740	9,928	14,884	19,840	4,956			
Gunnison	114,182	152,205	38,023	76,159	101,521	25,362	38,023	50,684	12,661			
Hinsdale	156	208	52	104	139	35	52	69	17			
Huerfano	26,592	35,447	8,855	17,737	23,643	5,906	8,855	11,804	2,949			
Jackson	106,687	142,214	35,527	71,160	94,857	23,697	35,527	47,357	11,830			
Jefferson	---	---	---	---	---	---	---	---	---			
Kiowa	18,334	24,439	6,105	12,229	16,301	4,072	6,105	8,138	2,033			
Kit Carson	716	954	238	478	636	158	238	318	80			
Lake	---	---	---	---	---	---	---	---	---			
La Plata	15,122	20,158	5,036	10,086	13,445	3,359	5,036	6,713	1,677			
Larimer	2,945	3,926	981	1,964	2,619	655	981	1,307	326			

Table A-3, Page 2

	Total State Share			2/3 to County			1/3 to Public School Fund			Spillover to Public School Fund		
	Actual 1975-76	Estimates Under New Law	Amount of Increase	Actual 1975-76	Estimated Under New Law	Amount of Increase	Actual 1975-76	Estimated Under New Law	Amount of Increase	Actual 1975-76	Estimated Under New Law	Amount Increas
Las Animas	$ 78,149	$ 104,173	$ 26,024	$ 52,125	$ 69,483	$ 17,358	$ 26,024	$ 34,690	$ 8,666	$	$	$
Lincoln	2,753	3,670	917	1,838	2,448	610	917	1,222	305			
Logan	3,432	4,575	1,143	2,289	3,052	763	1,143	1,523	380			
Mesa	209,519	279,289	69,770	139,749	186,286	46,537	69,770	93,003	23,233			
Mineral	---	---	---	---	---	---	---	---	---			
Moffat	642,580	856,559	213,979	200,000	200,000	---	213,979	285,234	71,255	228,601	371,325	142,7
Montezuma	85,758	114,315	28,557	57,201	76,248	19,047	28,557	38,067	9,510			
Montrose	93,148	124,166	31,018	62,130	82,819	20,689	31,018	41,347	10,329			
Morgan	9,857	13,139	3,282	6,575	8,764	2,189	3,282	4,375	1,093			
Otero	29,401	39,192	9,791	19,610	26,141	6,531	9,791	13,051	3,260			
Ouray	3,997	5,328	1,331	2,666	3,554	888	1,331	1,774	443			
Park	10,896	14,524	3,628	7,268	9,688	2,420	3,628	4,836	1,208			
Phillips	608	810	202	406	540	134	202	270	68			
Pitkin	16,844	22,453	5,609	11,235	14,975	3,740	5,609	7,478	1,869			
Prowers	9,248	12,328	3,080	6,168	8,223	2,055	3,080	4,105	1,025			
Pueblo	19,381	25,835	6,454	12,927	17,232	4,305	6,454	8,603	2,149			
Rio Blanco	,301,423	,732,797	2,431,374	200,000	200,000	---	2,431,374	3,241,021	809,647	4,670,049	6,291,776	1,621,7
Rio Grande	330	440	110	220	293	73	110	147	37			
Routt	234,694	312,847	78,153	156,541	208,669	52,128	78,153	104,178	26,025			
Saguache	2,085	2,779	694	1,391	1,854	463	694	925	231			
San Juan	---	---	---	---	---	---	---	---	---			
San Miguel	108,960	145,244	36,284	72,676	96,678	24,202	36,284	48,366	12,082			
Sedgwick	2,744	3,658	914	1,830	2,440	610	914	1,218	304			
Summit	---	---	---	---	---	---	---	---	---			
Teller	---	---	---	---	---	---	---	---	---			
Washington	8,073	10,761	2,688	5,385	7,178	1,793	2,688	3,583	895			
Weld	41,208	54,930	13,722	27,486	36,638	9,152	13,722	18,292	4,570			
Yuma	7,969	10,623	2,654	5,315	7,086	1,771	2,654	3,537	883			
Total	$9,845,686	$13,124,297	$3,278,611	$1,668,423	$2,090,809	$ 422,386	$3,278,613	$4,370,387	$1,091,774	$4,898,650	$6,663,101	$1,764,4

The 1976-77 estimates are the 1975-76 figures assuming the distribution formula under the Federal Mineral Leasing Act is 50 percent rather than 37.5 percent.

Source: Colorado Legislative Council

Table A-4

SHARED REVENUES DISTRIBUTED TO COLORADO COUNTIES FOR FY 76 AND ESTIMATED NEW REVENUES
FROM H.R. 9719

					Revenue Returned to County, by Program, FY 76				
County	(1) Total Acres In County 1/	(2) BLM Acres	(3) Forest Service Acres	(4) Total Columns 2 + 3	(5) BLM2/	(6) Forest Service3/	(7) Total Columns 5 + 6	(8) Increase Over FY 75 Distribution	(9) HR 9719 Estimated Distribution
Adams	793,854	-0-	-0-	-0-	$ 90	$ -0-	$ 90	$ 30	$ -0-
Alamosa	460,224	43,957	28,091	72,048	1,010	904	1,914	206	56,500
Arapahoe	513,679	-0-	-0-	-0-	6,374	-0-	6,374	2,122	-0-
Archuleta	872,640	10,457	423,870	434,327	3,556	51,330	54,886	1,185	119,500
Baca	1,640,448	520	205,131	205,651	12,391	20,691	33,082	4,126	121,900
Bent	972,288	1,576	-0-	1,576	14,968	-0-	14,968	4,931	157
Boulder	478,912	5,074	137,802	142,876	118	4,325	4,443	1	121,700
Chaffee	664,448	53,036	451,013	504,049	1,358	9,757	11,115	-0-	372,000
Cheyenne	1,134,016	300	-0-	300	382	-0-	382	128	-0-
Clear Creek	252,352	22,864	167,384	190,248	65	18,345	18,410	-0-	118,200
Conejos	811,328	185,547	299,274	484,821	4,899	-0-	4,899	1,629	205,100
Costilla	776,064	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Crowley	512,896	4,427	-0-	4,427	3,824	-0-	3,824	1,182	515
Custer	471,936	20,985	163,839	184,824	4,392	3,545	7,937	1,145	42,500
Delta	738,752	205,668	191,650	397,318	48,928	11,068	59,996	16,279	249,200
Denver	55,141	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Dolores	656,576	55,244	353,011	408,255	136,033	-0-	136,033	45,298	40,800
Douglas	539,584	-0-	141,231	141,231	302	4,480	4,782	100	103,100
Eagle	1,076,608	261,702	579,232	840,934	20,927	76,292	97,219	6,936	258,000
Elbert	1,192,896	-0-	-0-	-0-	1,283	-0-	1,283	427	-0-
El Paso	1,380,416	4,719	100,626	105,345	768	3,192	3,960	239	75,700
Fremont	999,296	349,044	99,997	449,041	292	2,163	2,455	11	336,800
Garfield	1,917,888	632,322	514,645	1,146,967	138,594	65,995	204,589	45,781	293,000
Gilpin	94,976	5,894	39,495	45,389	80	2,356	2,436	-0-	31,000
Grand	1,186,304	143,858	553,635	697,493	33,071	63,305	96,376	9,928	82,500
Gunnison	2,071,232	371,856	1,264,875	1,636,731	76,447	63,564	140,011	25,362	210,800
Hinsdale	674,496	114,075	557,677	671,752	130	38,928	39,058	35	10,000
Huerfano	1,007,296	71,373	140,114	211,487	21,191	3,031	24,222	5,906	134,800
Jackson	1,037,824	194,134	333,714	527,848	71,321	28,236	99,557	23,697	52,900
Jefferson	501,774	3,419	100,188	103,607	-0-	3,353	3,353	-0-	76,300
Kiowa	1,131,136	8,201	-0-	8,201	12,400	-0-	12,400	4,072	820
Kit Carson	1,389,440	-0-	-0-	-0-	478	-0-	478	158	-0-
Lake	242,816	23,887	156,286	180,173	487	3,381	3,868	-0-	141,100
La Plata	1,077,632	29,344	394,380	423,724	10,087	49,650	59,737	3,359	316,500

Table A-4, Page 2

A-4 (cont'd)

County	(1) Total Acres In County 1/	(2) BLM Acres	(3) Forest Service Acres	(4) Total Columns 2 + 3	Revenue Returned to County, by Program, FY 76 (5) BLM	(6) Forest Service	(7) Total Columns 5 + 6	(8) Increase Over FY 75 Distribution	(9) HR 9719 Estimated Distribution
Larimer	1,670,592	28,149	618,678	646,827	$ 3,368	$ 19,416	$ 22,784	$ 655	$ 326,700
Las Animas	3,068,032	14,601	22,012	36,613	52,645	5,784	58,429	17,358	8,900
Lincoln	1,659,456	2,210	-0-	2,210	2,097	-0-	2,097	610	214
Logan	1,166,272	1,117	-0-	1,117	2,289	-0-	2,289	763	110
Mesa	2,113,728	978,084	545,679	1,523,763	140,184	44,645	184,829	46,537	769,000
Mineral	589,504	-0-	525,269	525,269	-0-	29,961	29,961	-0-	50,000
Moffat	3,035,328	1,453,520	41,763	1,495,283	210,138	3,691	213,829	-0-	169,500
Montezuma	1,340,288	188,930	243,309	432,239	57,244	30,694	87,938	19,047	288,200
Montrose	1,432,576	636,307	327,352	963,659	62,289	23,622	85,911	20,689	422,800
Morgan	817,664	2,527	-0-	2,527	6,622	-0-	6,622	2,189	460
Otero	802,560	2,284	161,334	163,618	19,824	16,273	36,097	6,531	85,800
Ouray	345,408	38,758	126,905	165,663	2,953	9,407	12,360	888	87,500
Park	1,384,704	75,500	650,557	726,057	10,203	20,975	31,178	2,420	77,000
Phillips	435,200	-0-	-0-	-0-	406	-0-	406	134	-0-
Pitkin	622,592	23,583	485,604	509,187	11,237	63,960	75,197	3,740	250,000
Prowers	1,037,248	752	-0-	752	6,168	-0-	6,168	2,055	-0-
Pueblo	1,539,328	16,845	32,833	49,678	14,270	718	14,988	4,305	34,100
Rio Blanco	2,088,320	1,169,934	358,526	1,528,460	204,611	41,935	246,546	-0-	152,000
Rio Grande	585,728	54,028	276,126	330,154	229	9,375	9,604	73	233,600
Routt	1,491,136	79,521	582,957	662,478	165,903	49,527	215,430	52,128	171,800
Saguache	2,012,224	349,668	959,598	1,309,266	3,408	34,415	37,823	463	148,700
San Juan	250,496	48,720	170,484	219,204	-0-	19,155	19,155	-0-	39,000
San Miguel	821,056	298,733	176,149	474,882	72,763	13,274	86,037	24,202	47,400
Sedgwick	348,096	273	-0-	273	1,830	-0-	1,830	610	-0-
Summit	391,168	18,187	311,158	329,345	10	36,319	36,329	-0-	101,900
Teller	353,920	33,308	125,497	158,805	-0-	3,981	3,981	-0-	120,400
Washington	1,616,384	879	-0-	879	5,385	-0-	5,385	1,793	-0-
Weld	2,560,960	5,491	193,060	198,551	27,506	37,797	65,303	9,152	99,750
Yuma	1,522,752	441	-0-	441	5,315	-0-	5,315	1,771	770
Totals	66,229,888	8,345,833	14,332,010	22,677,843	$1,715,143	$1,042,815	$2,757,958	$422,386	$7,356,996

Calculations by the Legislative Council Staff, November 22, 1976, from data provided by the Colorado Secretary of State's Office and the Washington, D.C. office of U.S. Representative Frank Evans.

1/ These figures were taken from the Colorado Year Book, 1962-64. There is little agreement among agencies on this statistic. The Bureau of Land Management reports Colorado's area as 66,718,080 acres, whereas a publication distributed by the State Division of Commerce and Development reports a figure in excess of 68 million acres.

Table A-5

Public Law 94-565
94th Congress

An Act

Oct. 20, 1976
[H.R. 9719]

To provide for certain payments to be made to local governments by the Secretary of the Interior based upon the amount of certain public lands within the boundaries of such locality.

Local government units. Public lands, payments. 31 USC 1601.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That effective for fiscal years beginning on and after October 1, 1976, the Secretary is authorized and directed to make payments on a fiscal year basis to each unit of local government in which entitlement lands (as defined in section 6) are located. Such payments may be used by such unit for any governmental purpose. The amount of such payments shall be computed as provided in section 2.

Amounts, determination. 31USC 1602.

Sec. 2. (a) The amount of any payment made for any fiscal year to a unit of local government under section 1 shall be equal to the greater of the following amounts—

(1) 75 cents for each acre of entitlement land located within the boundaries of such unit of local government (but not in excess of the population limitation determined under subsection (b)), reduced (but not below 0) by the aggregate amount of payments, if any, received by such unit of local government during the preceding fiscal year under all of the provisions specified in section 4, or

(2) 10 cents for each acre of entitlement land located within the boundaries of such unit of local government (but not in excess of the population limitation determined under subsection(b)).

In the case of any payment under a provision specified in section 4 which is received by a State, the Governor (or his delegate) shall submit to the Secretary a statement respecting the amount of such payment which is transferred to each unit of local government within the State.

(b) (1) In the case of any unit of local government having a population of less than five thousand, the population limitation applicable to such unit of local government shall not exceed an amount equal to $50 multiplied by the population within the jurisdiction of such unit of local government.

(2) In the case of any unit of local government having a population of five thousand or more, the population limitation applicable to such unit of local government shall not exceed the amount computed under the following table (using a population figure rounded off to the nearest thousand):

If population equals—	Payment shall not exceed the amount computed by multiplying such population by—
5,000	$50.00
6,000	47.00
7,000	44.00
8,000	41.00
9,000	38.00
10,000	35.00
11,000	34.00
12,000	33.00
13,000	32.00
14,000	31.00
15,000	30.00
16,000	29.50
17,000	29.00
18,000	28.50
19,000	28.00
20,000	27.50
21,000	27.20
22,000	26.90
23,000	26.60
24,000	26.30
25,000	26.00
26,000	25.80
27,000	25.60
28,000	25.40
29,000	25.20
30,000	25.00
31,000	24.75
32,000	24.50
33,000	24.25
34,000	24.00
35,000	23.75
36,000	23.50
37,000	23.25
38,000	23.00
39,000	22.75
40,000	22.50
41,000	22.25
42,000	22.00
43,000	21.75
44,000	21.50
45,000	21.25
46,000	21.00
47,000	20.75
48,000	20.50
49,000	20.25
50,000	20.00

For the purpose of this computation no unit of local government shall be credited with a population greater than fifty thousand.

(c) For purposes of this section, "population" shall be determined on the same basis as resident population is determined by the Bureau of the Census for general statistical purposes.

(d) In the case of a smaller unit of local government all or part of which is located within another unit of local government, entitlement lands which are within the jurisdiction of both such units shall be treated for purposes of this section as only within the jurisdiction of such smaller unit.

Table A-6

FINANCIAL INFORMATION FOR SELECTED LOCAL GOVERNMENTS

County and Municipality	(1) 1975 Est. Population	(2) County Government Indebtedness	(3) 1975 County Gov't. Indebtedness Per Capita	(4) 1975 Total Municipal Debt	(5) 1975 Municipal Debt Per Capita	(6) 1975 Sales Tax Revenue	(7) County Mill Levy	(8) Municipal Mill Levy	(9) School Mill Levy	(10) Special District(s) Mill Levy	(11) Total Mill Levy (Incl. County)	(12) Water: Tap Fee	(13) Water: Monthly Service Charge	(14) Sewer: Tap Fee	(15) Sewer: Monthly Service Charge	(1 Sal Ta Ra
DELTA COUNTY	17,102	$ 0	$ 0			$264,986-	12.24									1
Delta	4,266			$ 562,000-	$131.74	217,610-		12.33	34.30	6.06	64.93	$ 500-	$ 7.50	$ 500-	$4.00	1
Paonia	1,250			4,023-	3.21			11.00	34.30	1.00	58.54	600-	5.50	Variable	1.75	0
GARFIELD COUNTY	17,357	0	0				23.10									0
Carbondale	2,400			1,779,000-	741.25	72,338-		11.00	32.59	11.42	78.11	1,000.00	5.26	500.00	3.50	2
Glenwood Springs	4,900			1,023,000-	208.78	335,467-		5.47	41.17	9.54	79.28	775.00	10.00	775.00	5.00	2
Grand Valley	500			81,000-	162-			12.07	61.79	1.76	98.72	300.00	3.50	300.00	3.50	0
New Castle	625			55,000-	88-			11.30	41.17	5.74	81.31	400.00	4.00	400.00	4.00	0
Rifle	2,750			732,000-	266.18	195,833-		10.49	41.17	8.83	83.59	985.00	4.00	425.00	3.00	2
MESA COUNTY	61,864	0	0				18.15									0
Collbran	375			122,000-	325.33			24.00	34.70	6.87	83.72	1,000.00	4.50	1,000.00	4.50	0
DeBeque	325			102,000-	313.85			32.00	46.62	0	96.77	500.00	7.00	500.00	6.00	0
Palisade	1,000			331,000-	331-	18,826		20.82	37.94	3.74	80.65	375.00	8.13	300.00	2.00	1
MOFFAT COUNTY	8,210	73,000	8.89			432,828-	17.60									2
Craig	6,000			696,000-	116-	183,847		14.00	35.00	2.16	68.76	250.00	4.00	250.00	2.00	2
RIO BLANCO COUNTY	5,197	0	0				7.96									0
Meeker	2,150			1,892,000-	880-	N.A.		11.35	34.76	9.56	63.63	850.00	4.44	500.00	3.50	1
Rangely	1,785			1,701,000-	952.95	42,805		27.34	6.45	6.09	47.84	400.00	8.50	350.00	3.50	1
ROUTT COUNTY	9,925	331,000	33.35				18.57									0
Hayden	2,026			117,716-	58.10	226.44		23.80	26.39	3.21	71.97	400.00	8.00	400.00	4.00	2
Oak Creek	1,100			16,186-	14.71			28.00	40.38	1.00	87.95	550-	5.50	550.00	4.00	0

Sources:
1) U.S. Bureau of Census Population Estimates (by county).
2) Office of Socio-Economic Impact Fact Sheets for Local Communities.
3) 1974 Local Government Financial Compendium, Division of Local Government, Department of Local Affairs.
4) Fifth Annual Report, Department of Local Affairs, Division of Property Taxation.
5) Phone communications with county and municipal officials.

Source: Legislative Council of Colorado

Section Three: Montana

STRATEGIES FOR ALLEVIATION OF SOCIOECONOMIC IMPACTS IN MONTANA COMMUNITIES

By Leonard Bronder, Resource Economist
Western Governors' Regional Energy Policy Office

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Lieutenant Governor's Office

Community Affairs Department

- Housing Division
- Coal Board

Commission of Higher Education

State Highway Department

Department of Natural Resources

Montana State University

- Department of Economics

University of Montana

- Bureau of Business and Economic Research

CHAPTER I

THE SETTING: MINERAL PRODUCTION SPURS THE MONTANA ECONOMY

Total personal income in Montana rose to $4.1 billion in 1975, up 66.3 percent compared to 1970. This was an acceleration in personal income payments, which are wages, salaries, and proprietors' income, from the 42.2 percent increase in the previous five-year period, 1965-1970. The increase during the past five years was spurred by income generated by mining activity up 89.7 percent to $110 million. Income from farming activities was up 57 percent to $507 million, and income from manufacturing was up 65.1 percent to $289 million in 1975. The acceleration in mining activity is evidenced by the fact that wages and salaries for mining increased only 3.6 percent in the five year period, 1965-1970.

A recent report, released by the Region VIII office of the U. S. Labor Department, has Montana slated for an increase of 11,348 more workers in energy developments for 1985. The detail by type of activity was projected as follows: surface coal mining, 1,288; electric power plants-construction, 3,060; electric power plants-operations, 154; coal gasification plants-construction, 5,008; and coal gasification-operations, 1,868.[1]

There are a number of projections of coal production for the State of Montana. A projection by the Office of Project Operations, Energy Resource Development, Federal Energy Administration, shows an increase in coal production from 20.2 million tons per year in 1975 to 55.3 million tons in 1980 and 86 million tons in 1985 in the State of Montana.[2] The counties in which major production will take place in the 1980's, according to the forecast, will be Bighorn, Rosebud and Carbon Counties, and the Crow Indian Reservation. Production on the Crow Reservation is expected to be 12½ million tons in 1980, increasing to 29 million tons in 1985.

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1. *Energy - Employment: The Critical Dependency in the U. S. Economy*, Robert J. Brown, Regional Administrator, U. S. Labor Dept., Region VIII, October 14, 1976.

2. *Western Coal Development Monitoring System*, Office of Project Operation, Federal Energy Administration, January 15, 1977

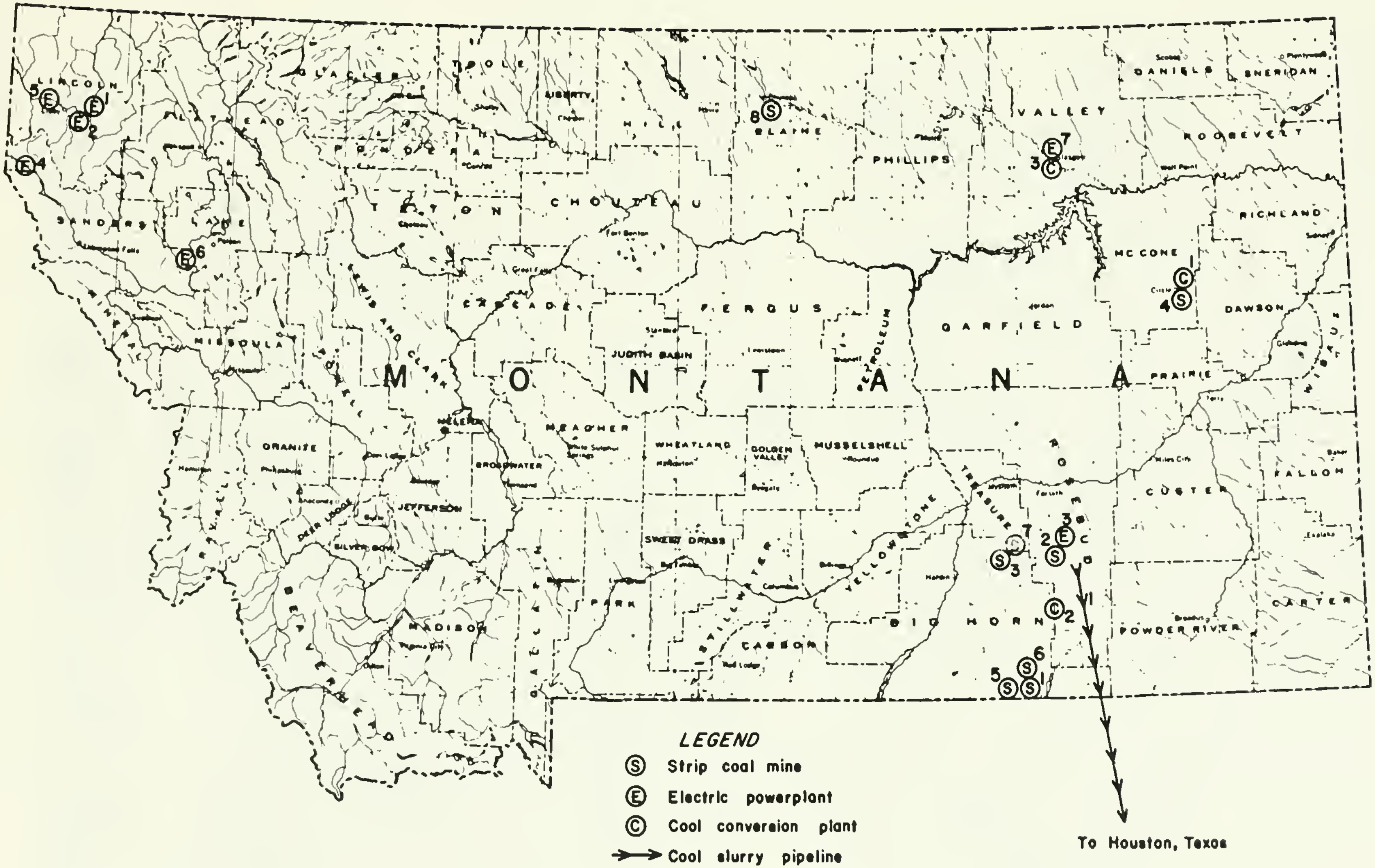
The clustering of fuel-related projects in the state are reflected in Figure 1. These projections are based on a survey of energy companies conducted last year under the sponsorship of the U. S. Bureau of Mines. Some projects may be aborted due to changing economic conditions and environmental considerations. On the other hand, additional projects may come on-stream due to the national energy shortages, improved technologies, and economical transportation by means of upgraded railroad rights-of-way or coal slurry pipelines.

The increases in employment projected by the Department of Labor implies a population growth on the order of 50,000 persons, which would be equal to about nine percent of the 1975 state population of 748,000. The influx of population into areas of increased mineral production and related activities will induce pressures on the state and local governments to provide schools, roads, water and sewer systems, and other public facilities and services. As a matter of fact, if adequate public services and private services, such as housing and medical services are not provided, the increases in energy development may very well be blunted and future forecasted production may be somewhat less than expected.

Fortunately, the Montana state and local tax system has been designed to collect revenues rather quickly and at adequate levels when mining and related energy developments are undertaken. During the initial stages, when construction of an enterprise attracts construction workers but less than a mature tax base, the local property tax provides revenues from the levies on equipment and partially completed structures. Once the activity, such as the mining, is in production, the state and local units of government collect a production tax among other revenue sources. The tax structure has placed the state in the enviable position of having substantial revenues which may be used for new or additional facilities and public services, with an amount left over for trust funds.

Figure 1

Future Fuels-related Projects in Montana



Source: *Information Circular 8719*, May, 1976
U. S. Department of Interior

CHAPTER II

STATE AND LOCAL FINANCES AND THE PROBLEM OF COMMUNITY IMPACTS

State and local governments in Montana received $842.4 million in general revenues in 1974-75. These statistics, which are the most recently released by the U. S. Bureau of Census, show that the percentage of revenues by levels of government were federal, 26.4 percent; state, 37.6 percent; and local, 36.0 percent. For all fifty states, the shares of state and local government revenues by originating level of government were federal, 20.6 percent; state, 42.4 percent; and local, 37 percent. Some of the western states, such as Montana, received an above-average distribution of federal funds, due to 1) large amounts of federal land, 2) federal mineral royalties, and 3) the weight given to land area in distribution formulas.

STATE EXPENDITURES

State general spending was $476.5 million in 1974-75. Direct expenditures were $361.4 million, while $115.1 million was shared with and channelled to local government. The state direct expenditures were largest in two categories, namely education, $96.4 million, and highways, $92.0 million.

Other state spending was for the following purposes: public welfare, $51.7 million; hospitals, $18.9 million; natural resources, $27.6 million; health, $8.4 million; corrections, $9.1 million; financial administration, $17.3 million; general control, including judiciary, $8.3 million; police protection, $6.7 million; employment security, $5.5 million; inspection and regulations, $3.9 million; veteran services, $2.4 million; and interest on general debt, $3.4 million. These expenditures do not include state aid for education and other transfer payments, which were distributed as follows: schools, $93.7 million, counties, $13.6 million; municipalities, $7.5 million; and other, $.4 million.

STATE REVENUES

The revenues received by state and local governments in Montana, after taking account of intergovernmental transfers, were state government, $388.2 million, or

46.1 percent, and local government, $454.2 million, or 53.9 percent. The state received revenues from a variety of sources. These sources include tax revenues, federal aids and revenue-sharing funds, royalty income from state and federal lands, and interest income from investments.

Montana state government received $505.7 million in general revenues in fiscal year 1974-75. General revenues do not include receipts from liquor store operations or insurance trust systems. The sources were: intergovernmental revenue, $188.9 million; tax revenues, $232.7 million; charges, $39.9 million; and miscellaneous general revenue, $44.2 million.

Intergovernmental revenues were received from the federal government, $183.1 million, and from local government, $5.8 million. The federal government revenues were for public welfare, $42.7 million; highways, $47.9 million; education, $30.4 million; general revenue-sharing, $8.3 million; and employment security administration, $7.5 million.

Revenues from charges were from education, $39.9 million; natural resources, $2.1 million; hospitals, $1.7 million; highways, $1.0 million; and other charges, $1.2 million. Charges include fees, tuition, and income of commercial-type activities, such as auxiliary enterprises of institutions of higher education.

Miscellaneous general revenues were derived from interest earnings, $24.5 million; rents and royalties, $14.1 million; donations, $3.2 million; fines and forfeits, $0.9 million; sale of property, $0.6 million; and miscellaneous, $1.0 million.

TAX REVENUES

Montana state collections were $232.7 million in 1974-75. Major tax sources were individual income taxes, $88.6 million; corporate net income taxes, $22.1 million; severance taxes, $14.7 million; property taxes, $10.6 million; death and gift taxes, $5.4 million; motor fuels, $36.5 million; tobacco, $10.8 million; alcoholic beverages, $8.1 million; insurance premiums, $8.3 million; public utilities, $3.0 million; motor vehicle registrations, $9.0 million; motor vehicle operators, $1.5 million; hunting and fishing licenses, $6.0 million; liquor licenses, $1.2 million; and occupations and business licenses, $3.4 million. Montana is one of only five states that has no general sales tax.

Individual income taxes are levied on the federal taxable income base, except that the federal tax paid may be deducted from gross income, but the state income tax is not. The taxpayer is allowed an exemption of $650 plus an additional $650 for each dependent. The rates on taxable income vary from two percent on the first $1,000 graduated to 10 percent on incomes between $20,000 - $35,000 and 11 percent on the excess over $35,000. One-fourth of the revenue is earmarked for the school foundation program, a small fraction into a sinking fund for buildings, and the remainder into the state general fund.[1]

A corporation net income tax is levied at a rate of 6.75 percent on net income, which is defined similar to the Federal Internal Revenue Code. The revenues are deposited as follows: 25 percent for the school foundation program; an amount, which is currently 11 percent, to a sinking fund bond retirement; and the remainder to the state general fund.

Gasoline taxes are imposed at a rate of 7-3/4 cents for each gallon, with an exception of one cent a gallon for aviation gasoline. Special fuels, which are mostly diesel fuel, are taxed at 9-3/4 cents per gallon. The revenues are earmarked for the state highway fund, with the following exceptions: 1) $2.95 million is divided among the counties and 2) $3.55 million is allocated among incorporated cities and towns. Motor fuels taxes were $36.5 million in FY 75.

Automobile registration fees vary from $6 for small cars to $11 for large cars. Trucks and large trailers pay a fee based on gross vehicle weight, which varies from $17.50 on weights between 10,000 and 12,000 pounds to $543.75 for vehicles weighing between 40,000 and 42,000.

Alcoholic beverages taxes are imposed on beer at a rate of $3.00 per 31-gallon barrel and on wine and spirits at a rate of 16 percent of retail price of liquor sold through state liquor stores. A four percent excise tax is tacked on for distribution to counties and cities and another one percent to finance programs such as rehabilitation. The base of the tax is the price charged by the liquor board to retail stores. During the fiscal year 1974-75, counties and cities received $976,000 from the beer tax and $1,400,000 from the excise tax, with the remainder of $10.7 million going to the state, principally the general fund. In addition, the state received liquor control board profits of $7.7 million for the state general fund.

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1. The tax system section of this Chapter relies a great deal upon an unpublished study by Dr. Layton S. Thompson, Montana State University, Department of Agricultural Economics.

Cigarette and other tobacco taxes are levied at 12 cents per pack on cigarettes and 12½ percent of wholesale price on other tobacco products. The cigarette taxes are allocated 4½ cents to the state general fund, 4.35 cents to the building sinking fund, and 3.15 cents to the building clearance fund of the state. Other tobacco products taxes go into a sinking fund of the state.

Coal severance taxes are levied basically at a rate of 40 cents a ton, or 30 percent of value, whichever is higher, on surface-mined coal and 12 cents a ton, or four percent of value, on underground-mined coal. The variation in the tax, based on Btu values, is shown in Table 1. The first 5,000 tons of coal produced each quarter are exempt. The calculation of severance and other taxes on surface- and underground-mined coal is shown for model mines in Appendix Tables A-1 and A-2. The distribution of the severance taxes, as specified by the legislature, is shown in Table 2. Beginning July 1, 1977, 25 percent of the severance tax must be channelled into a permanent trust fund. The yield of the coal severance tax will be about $60 million for the 1975-77 biennium.

Oil and gas producer severance taxes are levied at 2-1/10 percent of gross value at the wellhead of petroleum up to 450 barrels and 2.65 percent of gross value in excess of 450 barrels. Natural gas is taxed at 2.65 percent of gross value. The taxes are deposited to the state general fund.

Metal mining taxes are levied at rates varying from 0.15 percent on the first $100,000 of gross product to

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Table 1

SEVERANCE TAX

The rates of the tax are as follows, whichever is higher on the "contract sales price."

Heating Quality (Btu per lb. of coal)	Surface Mining	Underground Mining
Under 7,000	12¢ or 20% of value	5¢ or 3% of value
7,000 to 8,000	22¢ of 30% of value	8¢ or 4% of value
8,000 to 9,000	34¢ or 30% of value	10¢ or 4% of value
over 9,000	40¢ or 30% of value	12¢ or 4% of value

An annual exclusion of 20,000 tons is provided.

1.438 percent on gross product values exceeding $50,000. The revenues are placed in the state general fund.

A resource indemnity trust fund tax is levied at a rate of one-half percent of the gross value on any minerals extracted. The funds are used to improve the environment and rectify damage caused by extraction of minerals.

Electrical Energy Producers' Tax. Each business entity engaged in the generation, manufacture, or production of electricity and electrical energy in the state for barter, sale, or exchange is taxed on the sales value of the electricity by the Electrical Energy Producers' Tax. The producing entities are required to file a report with the Department of Revenue by the 15th of each month indicating the gross amount of money received from sales of electrical energy in the preceding calendar month. The tax due at the time of filing is computed at the rate of 1.688 percent of the gross sales of electricity for the calendar month. An exemption is allowed for electricity used for pumping water for irrigation purposes on land in the State of Montana except where the water is sold or rented to such irrigated lands.

Proceeds from the Electrical Energy Producers' Tax are placed in the state's general fund.

Property taxation provides over one-half of all state

Table 2

DISTRIBUTION OF SEVERANCE TAXES

Taking all allocations made by the various bills into account, the formulas are as follows:

1975-1979	1980 and Afterwards
School equalization--10%	10%
Local impact & education trust--27½%	35%
Coal area highway improvement--13%	--
County where coal is mined--1%	3½%
Counties land planning--1%	--
Alternative energy research--2½%	4%
Renewable resource development--2½%	2½%
Parks acquisition--2½%	5%
General Fund--40%	40%

and local revenue in Montana. The state tax is a minor portion of the total. For example, in 1974, the state property tax levy was $11.2 million out of a grand total, state and local, of $232.3 million. In recent years the most important state levy has been a six mill levy for university purposes which totaled $7.2 million out of a state levy of $11.2 million in 1974. The second most important state levy is a variable levy for school purposes which was $11.8 million in 1973 and only $2.3 million in 1974. The state permissive school levy varies depending on the revenues raised locally.

The property tax system in Montana has several unique elements. The properties which are locally assessed are valued by elected assessors who, however, are under state jurisdiction. Another unique feature is the procedure in arriving at taxable values. Taxable values are statutorily set at various percentages of underlying assessed values. Assessed values are specified at a percentage of true and full value. For example, real estate (that is, land and improvements except for mines and agricultural lands) is assessed at forty percent of true and full value. For this type of property, the taxable value is calculated at 30 percent of the assessed value. Other properties have different percentage factors which vary among eleven classifications. It should be noted that surface mines are taxed at forty-five percent of gross production value since the classification factor is applied to the assessed value which by definition in the law is a hundred percent of true and full value.

A favored class of property which has a taxable value of seven percent of assessed value instead of 30 percent for the first three years includes new industrial property such as manufacturers' and mines' buildings and equipment together with inventories, raw materials, and air pollution equipment. Assessed value is forty percent of full cash value. Capital investments in non-fossil energy generation are indefinitely valued for tax purposes at seven percent of assessed valuation.

The taxation of both surface and underground coal mines and their production is shown in Appendix Tables A-1 and A-2. For a more extensive analysis of coal taxation in Montana and other states the reader is referred to "*Taxation of Surface and Underground Coal Mining in Western States*," Western Governors' Regional Energy Policy Office, August, 1976.

STATE DEBT AND CONSTITUTIONAL LIMITS

The state may incur indebtedness if approved by at least two-thirds of the legislature or approved by a majority of the electorate. A property tax may be levied not to exceed two-and-a-half mills ($2.50 per $1,000 of assessed valuation) to provide funds for general purposes.

State debt at the end of fiscal 1974-75 was $81.4 million, of which a minor amount of $273,000 was short-term debt. The long-term debt is entirely a non-guaranteed debt. State institutions of higher education account for $54.2 million of the debt, which is mainly for auxiliary enterprises, such as dormitories and other revenue-producing enterprises. The remaining debt of $26.9 million is for various other purposes not identified in the Census Bureau report.

CASH AND SECURITY HOLDINGS

The state had cash and deposits of $188.5 million at the end of fiscal 1975 and $230.5 million in securities in other than trust systems. The investments of securities were federal bonds and notes, $24.3 million and other $206.2 million.

STATE ACTIONS TO ALLEVIATE COMMUNITY IMPACTS

The state legislature, by statute, provides for an allocation of 17½ percent of the coal severance tax to be used for making grants to local governments impacted by coal development. It is estimated that the Montana Coal Board will receive $10.5 million during the 1975-77 biennium, a projected $13.96 million in the 1977-79 biennium and a projected $16.27 million in the 1979-1981 biennium.

Since the voters approved the deposit of 25 percent of the severance tax into a general trust fund in November of 1976, the allocation of severance tax moneys may change somewhat through actions by the 1977 legislature. Beginning July 1, 1977, one-fourth of the severance taxes from coal must be deposited into a trust fund which can be used for purposes determined by a three-fourths vote of both houses of the legislature. The interest from the trust funds may be allocated by the appropriation process.

The coal impact funds are spent at the discretion of the Montana Coal Board, a seven-member board appointed by the Governor, two of whom must have expertise in school matters, and two must reside in coal-impacted areas.

There are no specific requirements for the other three appointments, but in making the appointments the Governor is to consider the desirability of having experience in business, public administration, planning, and engineering. No more than four members may be residents of the same Congressional district. The board members serve for four-year terms and are compensated $25.00 a day plus actual and necessary expenses. The purpose of this Board is to assist local governmental units which have been required to expand the provision of public services as a consequence of large-scale development of coal mines and coal-using energy complexes.

The statute provides that at least one-half of the grants must go to counties, towns, and school districts experiencing a population growth of at least 10 percent in any three-year period since 1972. Any unused funds must be appropriated to the educational trust fund. A maximum of five percent of the grants by the Board can be allocated to state agencies only for the purpose of helping local governmental units to analyze and evaluate their own needs for local impact assistance. The distribution of the impact funds is listed in Table A-3. It should be noted the county seat of Forsyth in Rosebud County has not experienced increases in assessed valuations directly from mineral production and related developments but has received $4.0 million of the $10.5 million in impact monies. Many of the construction and operating personnel from the Colstrip developments live in Forsyth and have caused an estimated 50 percent increase in population since 1971. The monies have been used to help build elementary and secondary facilities, water and sewer projects, waste treatment, and similar facilities to service this population.

PREPAYMENT OF TAXES

The Board of County Commissioners may require that a new facility prepay an amount not to exceed three times the estimated property tax due the year the facility is completed. One-fifth of the amount prepaid will be allowed as a credit against property taxes in each of the first five years after the start of productive operation of a facility which may create an adverse impact on public services.

This device to alleviate impacts has not been utilized as yet in any county. It is generally believed that the constitutionality of the provision will be challenged if and when it is placed into effect.

MINERAL LEASE MONIES MAY BE USED FOR ALLEVIATION OF IMPACTS

Royalties, rents and bonus payments from federal mineral interests have been shared with the state of origin at a level of 37.5 percent for many years. The state's share was increased to fifty percent of total revenues by PL 94-377 enacted in the Fall of 1976 by the U. S. Congress. In addition, Congress passed PL 94-579 which removed the restriction of the use of the state share to only road and school purposes. Under Section 317 (a) the mineral lease monies paid to a state on or after January 1, 1976, is to be "used by such state and its subdivisions, as the legislature of the state may direct giving priority to those subdivisions of the state socially or economically impacted by development of minerals leased under this Act, for (i) planning, (ii) construction and maintenance of public facilities, and (iii) provision of public service."

Furthermore, the Act under Subsection (C)(1) of Section 317 provides "The Secretary (of Interior) is authorized to make loans to states and their political subdivisions in order to relieve social or economic impacts occasioned by the development of minerals leased in such states." The Act stipulates that loans may be made at not to exceed three percent interest to a limit based on prospective ten-year revenues to be received by the state. Congress must make an appropriation to create a loan fund if this section is to be utilized by the states or subdivisions. It is not known at this time if an appropriation will be made for the next fiscal year and therefore, states are not advised to depend very much on loans as a source of impact aid.

Montana received an estimated $4.5 million in 1976 from federal mineral lease revenues. Under the new fifty percent sharing provision the state would receive an additional $1.5 million or a total of $6 million a year at 1976 production levels. A projection made by the Department of the Interior indicates that by 1979 the state will receive $11.3 million a year. In the past the mineral lease revenues received by Montana have been appropriated to the state school foundation fund. Under the new federal act, it appears that the increase of one-thrid in the state share will have to be expended for the alleviation of impacts in affected communities.

COMMENTS

The state revenue structure has included within it the highest severance taxes on coal in the nation. The coal severance tax revenues, which are estimated at $60 million for 1975-77, are furnishing substantial revenues which are being used in large part to assist local counties, towns and cities, and school districts.

The most flexible instrument for alleviation of the local adverse impacts caused by energy development is the 17½ percent of coal severance taxes allocated to the coal board. Additional local monies are derived from the local taxation of mineral production and equipment of mining enterprises. Since the mines are not located in towns and cities, an argument could be made for additional state revenues to be channelled to alleviate the financial impacts on towns and cities in the areas of energy development.

CHAPTER III

COUNTY GOVERNMENT FINANCES AND IMPACT ALLEVIATION

County governments in Montana received $183.4 million in general revenue in 1974-75 according to the U. S. Bureau of Census. Intergovernmental revenue was received from federal government ($13.4 million) and from state government ($12.9 million). The major source of revenue was the property tax which accounted for $125.9 million and other taxes provided $6.2 million. Charges and miscellaneous revenue (from special assessments, fees and rents and sales of commerical-type activities) amounted to $31.0 million.

Direct general expenditures were $111.0 million in 1974-75. The expenditures were for highways, $21.4 million; health and hospitals, $11.5 million; public welfare, $9 million; police and fire protection, $6.8 million; education, $6.2 million; interest on debt, $6.7 million; and all other, $49.4 million.

Outstanding debt at the end of fiscal year 1975 was $122.5 million, of which $121.4 million was long-term debt. The long-term debt was allocated as follows: full-faith-and-credit debt, $37.7 million and non-guaranteed debt, $83.8 million.

DEBT LIMITS AND PROPERTY TAX LIMITATIONS

A county may not issue bonds exceeding two and a half percent of the value of taxable property except for county high school bonds and emergency bonds. General obligation bonds may be issued upon petition of twenty percent of the voters and with approval of the majority of the electorate.

Counties with a population in excess of 10,000 may issue revenue bonds to build hospitals or nursing homes without approval of the electorate. Other revenue bonds are issued through improvement districts and are subject to a limitation of $40,000 for any single purpose, although there is no limitation for a multi-purpose project. Industrial revenue bonds may be issued by a county and not included as part of the bonded indebtedness. These bonds which may be issued without any limitation are not a general obligation of the county. They may be used to acquire or improve land, buildings or improvements necessary for commercial, industrial or manufacturing enterprises, recreation or tourist facilities, hospitals, long-term care facilities, or buildings for state and federal offices. Special improvement districts may incur debt by a resolution of the governing body but may be overruled by a petition of 50 percent of the electors in the district. These districts are created to install sewer, water lines, lighting systems, and other public utilities.

Property tax levies are limited to 12 mills for road purposes (up to 15 miles in small counties) and up to three mills for bridges. The road levies apply to property located outside of incorporated cities and towns. The larger counties with a valuation of more than $20 million may levy a general ad valorem tax not exceeding 25 mills and counties with smaller valuations than that may levy a property tax not exceeding 27 mills for general purposes.

THE ROSEBUD COUNTY EXPERIENCE

Rosebud County is in the heart of the southeastern area of Montana experiencing rapid growth of coal production and related energy projects. While the estimates of population growth vary, it has been estimated by the Mountain West, Inc., study that the county's population has risen from 6,032 in 1970 to 10,000 in 1975.[1] In any event, the spending for public services by the county government has accelerated rising from $705,000 in 1970-71 to $1,312,000 in 1974-75. These are expenditures for operating expenditures and payment of debt service.

A breakdown of expenditures for county services reveals that the three major categories of spending were general government, $269,000; roads and bridges, $378,000; and law enforcement, $225,000 in 1974-75. As in most Montana counties Rosebud County has relied historically on the property tax for the bulk of its revenues. This source of revenue has been enhanced by a rise in taxable valuations from $12.5 million in 1970-71 to $25.7 million in 1974-75 and $43 million in 1975-76. During the latter year the county tax base was dependent for two-thirds of its value upon public utilities and mineral resources valuations.

The increase in taxable valuations coupled with state and federal grants and receipts from the coal severance tax is bringing down the property tax levy for county purposes. Since 1970-71 the levy has declined from 46.91 mills to 24.05 mills in 1975-76.

A new and unique source of revenue has been the coal severance tax which distributes according to statute, ten percent of the revenue to coal area highway improvement, four percent for general county purposes and one percent for county land planning. Furthermore, the State Coal Board has authorization to distribute up to 17½ percent of the coal severance tax monies for impacted local governments. The Board had $10.5 million for distribution during the biennium ending June 30, 1977. The Table A-3 in the Appendix shows that the county has received as of the end of January 1977, $30,000 for county planning and $100,000 for a law enforcement building including an ambulance garage. The local governments within Rosebud County, including the county distribution received $6.3 million; Big Horn County has received $3.9 million; and Treasure County, $382,000. While most of the money has been channelled to other than county government, the grants to local units within these counties rebounds to the benefit of all the residents and relieves the pressure on county expenditures.

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[1] *Environmental Baseline Studies for Crow Indian Coal Leases*, Montana West, Inc., December, 1975.

COMMENTS

During the next several years the county governments will experience increases in the amount of impact funds available as the production of coal rises, presuming the distribution percentage is not changed by the legislature. Assessed valuation will also increase. Furthermore, county governments in Montana will be eligible to receive payments in-lieu-of-taxes on federal lands based upon a formula predicated on 75¢ an acre or 10¢ an acre with a deduction of mineral lease money and grazing fees required if the 75¢ an acre option is chosen. Under either option, a limit is imposed upon a per capita amount.

Another possible source of impact aid is the increased amount of mineral lease money which is forecasted to rise from $4.5 million in 1975 to $11.3 million in 1979 under the new state-federal sharing program. The state could place the additional revenue from the mineral lease receipts into an impact alleviation fund in accordance with the federal legislation that requires the money be spent by the legislature with priority being given to impacted communities.

CHAPTER IV

MUNICIPALITIES AND IMPACT ALLEVIATION

Municipalities in Montana received $80.4 million in general revenue during 1974-75 according to the U. S. Bureau of the Census. Intergovernmental revenue was received from the federal government, $15.4 million and from state government, $8.3 million. Property taxes, the main source of revenue, brought in $28.3 million and other taxes, $2.4 million. Charges and miscellaneous revenues accounted for $27.8 million. These are revenues from sources such as special assessments, parking lots, fees and reimbursements for services.

Direct general expenditures were $73.3 million. Major expenditures were police and fire protection, $15.5 million; streets and roads, $8.1 million; interest on general debt, $3.1 million; health and hospitals, $6.3 million; and all other, $46 million.

DEBT AND PROPERTY TAX LIMITATIONS

Debt outstanding for municipalities at the end of 1974-75 was $86.2 million. Long-term full-faith-and-credit debt was $20.5 million and non-guaranteed debt, $65.0 million.

A municipality may issue general obligation bonds upon petition of twenty percent of the voters and with the approval of the electorate at a special election. Towns and cities have a limit of five percent of assessed valuations but may increase the indebtedness by an additional ten percent for sewer and water systems.

Municipal revenue bonds are not included in the debt limitation and may be issued for water and sewer systems, recreation facilities, convention facilities, airport construction and buildings and similar projects. Municipalities may issue industrial revenue bonds and these are not included in the overall debt limitations. Special improvement districts may be created by resolution if not overridden by petition of fifty percent of the electors. This device is commonly used for sewer and water lines, streets, gutters, sidewalks, and lighting systems. A city or town may levy a general ad valorem tax for general expenses but the levy must not exceed 2.4 percent of the value of taxable property. Instead of the use of multiple tax levies provided in the statutes, a maximum-all purpose ad valorem tax may be levied up to 65 mills.

The State of Montana has a classified property tax system as described in Chapter II. An understanding of the workings of the property tax structure in a locality is important to understanding local finances. As an illustration, the taxes paid on a home in the town of Forsyth in Rosebud County would be calculated as follows: (1) the home would be assessed at 40 percent of true cash value; (2) the assessed value would be factored to a taxable value equal to thirty percent of the assessed value; (3) a total millage of 170 mills for state, county, school, and municipal purposes is levied upon the taxable value; (4) the taxable value of a single family home is estimated at $3,600; and (5) the tax would be $612, based upon this levy of $170 per thousand dollars of taxable valuation.

A CASE STUDY OF MUNICIPAL FINANCES IN A REGION OF COAL PRODUCTION

A study of three municipalities in three counties which are experiencing impacts from coal production were published by Mountain West Research, Inc., in December, 1975.[1] The counties are Rosebud, Big Horn, and Treasure. The towns involved in the study were Hardin, with a population of 3,053 in Big Horn County; Forsyth, with a population of 3,225 in Rosebud County; and Hysham, with a population of about 450 in Treasure County. While Treasure County is located near the other two counties, it should be borne in mind that it has not experienced a substantial amount of mineral production or related activities within its own boundaries. On the other hand, coal production and related energy developments are burgeoning in the other two counties.

These municipalities in a coal producing region have developed mechanisms to provide public services and facilities despite the fact that mineral and energy related taxable property is located in the unincorporated areas. The financial picture of the three towns is reflected in Tables 3 to 6. There has been a decided decline in the reliance by the municipalities on the property tax as their populations has increased. The demands for increased public services must be met despite the fact that taxable valuations are not increasing rapidly within the towns or cities. For example, the town of Hardin in Big Horn County, obtained more revenue from either fees and charges, mainly for water, sewer and garbage, and from the sale of bonds by the special improvement district, than from

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1. Ibid

Table 3

MUNICIPAL TAX BURDEN SUMMARY

City	Population[a]	Expenditures/ Capita	Property Tax Financed Expenditures Percent	Taxable Valuation/ Capita	Mill Levy
Hardin					
1972	2,840	126.03	53.70	867.47	49.66
1973	2,893	157.65	29.82	859.04	51.12
1974	2,946	209.96	25.33	888.67	57.25
1975	3,000	NA[b]	NA	986.68	62.50
1976	3,053			1,034.53	67.50
Forsyth					
1972	2,323	98.95	31.60	642.98	48.00
1973	2,548	113.25	24.58	625.22	48.00
1974	2,773	171.37	20.09	600.20	55.00
1975	3,000	131.59	26.11	713.65	55.00
1976	3,225			668.11	69.00
Hysham					
1972	404	210.04	38.94	719.65	114.5
1973	414	167.30	47.15	763.41	97.1
1974	425	190.97	42.60	744.97	87.5
1975	435	NA	NA	930.45	84.5
1976				1,016.09	81.2

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[a] Population derived by interpolating for each year between 1970 census population and 1975 estimate and assuming an equal increase in 1976.

[b] Not available.

Source: *Mountain West Research, Inc.* data for 1972-1975 derived from "City (Town) Clerks Annual Financial Statement to State Examiner" for each city. Data for 1975 and 1976 received by telephone interviews with respective city and town clerks.

Table 4

EXPENDITURES--BIG HORN COUNTY
(Fiscal Year 1974)

					Hardin						
	(10893)* Big Horn		(2946)* Hardin		(1267)** Elem SD#1		(491)** HS SD#2		County Total[a]		Total Other School Districts
	Abs	Per Cap	Abs	Per Cap	Abs	Per ANB	Abs	Per ANB	Abs	Per Cap	
General Government	247,219	22.70	37,820	12.84					289,574	26.58	
Public Safety	49,767	4.57	95,710	32.49					153,376	14.08	
Highways and Streets	172,106	15.80	61,635	20.92					239,044	21.94	
Sanitation and Garbage	0		34,392	11.67					35,744	3.28	
Health and Public Welfare	135,010	12.39	300	.10					135,310	12.42	
Culture and Recreation	69,548	6.38	19,389	6.58					92,137	8.46	
Water and Sewer	0		94,807	32.18					108,207	9.93	
Education	16,285	1.49	0		1,130,531	892.29	522,811	1,064.79	2,663,958	244.56	994,332
Debt Services	0		246,189	83.57					246,189	22.60	
Intergovernment	0		19,020	6.46					19,020	1.75	
Agriculture	37,217	3.42							37,217	3.42	
Miscellaneous	7,443	.68	9,267	3.15					42,210	3.87	
Capital Expenditures	518,895	47.64	0		15,000	11.84	3,900	7.94	563,325	51.71	
TOTAL	1,253,490	115.07	618,529	209.96	1,145,531	904.13	526,711	1,072.73	4,625,312	424.61	994,332

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* 1974 population estimates.

** 1974 Average Number Belonging.

[a] Includes Lodge Grass expenditures.

Source: Ibid. County and municipal data derived from "Financial Statement for Cities, Towns, and Counties, Fiscal Year, 1974," unpublished report of the State Commission on Local Government. School district data from "Budget and Application for Tax Levies for Year Beginning July 1, 1974: Application for Payment of State Equalization Aid," prepared by each district.

Table 5

EXPENDITURES--ROSEBUD COUNTY
(Fiscal Year 1974)

	(9208)* Rosebud		(2773)* Forsyth		(453)** Elem SD		(222)** HS SD		County Total		Total Other School Districts
	Abs	Per Cap	Abs	Per Cap	Abs	Per ANB	Abs	Per ANB	Abs	Per Cap	
General Government	296,145	32.16	26,743	9.64					322,888	35.07	
Public Safety	140,843	15.30	84,841	30.60					225,684	24.51	
Highways and Streets	192,250	20.88	48,417	17.46					240,667	26.14	
Sanitation and Garbage	0	0	45,493	16.41					45,493	4.94	
Health and Public Welfare	104,313	11.33	0	0					104,313	11.33	
Culture and Recreation	28,322	3.08	28,219	10.18					56,541	6.14	
Water and Sewer	0	0	232,786	83.95					232,786	25.28	
Education	17,100	1.86	0	0	363.769.0	803.02	223,874.28	1,008.44	1,973,398	214.31	1,368,655
Debt Services	0	0	0	0					0	0	
Intergovernment			7,801	2.81					7,801	.85	
Agriculture	101,513	11.02							101,513	11.02	
Miscellaneous	63,549	6.90	1,153	.42					64,702	7.03	
Capital Expenditures	517,084	56.16	1,745	.63	5,000.5	11.04	4,629.35	20.85	528,459	57.39	
TOTAL	1,461,119	158.68	477,198	172.09	368,769.5	814.06	228,503.63	1,029.30	3,904,245	424.01	1,368,655

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* 1974 population estimate.

** 1974 Average Number Belonging.

Source: Ibid. County and municipal data derived from "Financial Statement for Cities, Towns, and Counties, Fiscal Year, 1974," unpublished report of the State Commission on Local Government. School district data from "Budget and Application for Tax Levies for Year Beginning July 1, 1974: Application for Payment of State Equalization Aid," prepared by each district.

Table 6

EXPENDITURES--TREASURE COUNTY
(Fiscal Year 1974)

	(1173)* Treasure		(414)* Hysham		(182)** Elem SD		(103)** HS SD		County Total		Total Other School Districts
	Abs	Per Cap	Abs	Per Cap	Abs	Per ANB	Abs	Per ANB	Abs	Per Cap	
General Government	76,205	64.97	5,724	13.83					81,929	69.85	
Public Safety	17,458	14.88	5,614	13.56					23,072	19.67	
Highways and Streets	44,607	38.03	11,281	27.25					55,888	47.65	
Sanitation and Garbage	0	0	363	.88					363	.31	
Health and Public Welfare	14,496	12.36	0	0					14,496	12.36	
Culture and Recreation	1,500	1.29	3,218	7.77					4,718	4.02	
Water and Sewer	0	0	30,561	73.82					30,561	26.05	
Education	0	0	0	0	131,092.7	720.29	146,938.3	1,426.59	328,005	279.63	49,974
Debt Services	0	0	12,164	29.38					12,164	10.37	
Intergovernment	0	0	0	0					0	0	
Agriculture	3,637	3.10	0	0					3,637	3.10	
Miscellaneous	822	.70	1,661	4.01					2,483	2.12	
Capital Expenditures	65,391	55.75	0	0	900.0	4.95	7,300.0	70.87	73,591	62.74	
TOTAL	224,116	191.06	70,586	170.50	131,992.7	725.23	154,238.3	1,497.46	630,907	537.86	49,974

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* 1974 population estimates.

** 1974 Average Number Belonging.

Source: Ibid. County and municipal data derived from "Financial Statement for Cities, Towns, and Counties, Fiscal Year, 1974," unpublished report of the State Commission on Local Government. School district data from "Budget and Application for Tax Levies for Year Beginning July 1, 1974: Application for Payment of State Equalization Aid," prepared by each district.

property tax in fiscal year 1974. The town of Forsyth developed a similar strategy with fees and charges, $120,132; and sale of bonds, $119,530 exceeding the revenue from the property tax which was $95,447. By way of contrast, Rosebud County received $104.34 per capita~~l~~, or 70 percent of its budget, from the property tax while the town of Forsyth levied only $34.42 per capita and, therefore, received 20 percent of its budget from the property tax.

In Treasure County, on the other hand, the property tax per capita was similar in the town of Hysham as in the county as a whole. The county did not have at that time any valuation from coal and related activities. It would be expected that a county or other unit of government which has no growing property tax base from mineral production would be less likely to use this avenue of revenue than other counties.

Despite the lesser dependence on the property tax in Forsyth and Hardin, the growth in per capita expenditures has caused a rise in the municipal levy in Forsyth from 48 mills to 69 mills and in Hardin from 49.66 mills to 67.5 mills during the four year period ending December, 1976. Hysham experienced a decrease in expenditures per capita and has seen the property tax levy decline from 114.5 mills in 1972 to 81.2 mills in 1976.

As was pointed out in the Mountain West, Inc. study, the municipal expenditures in the region are dominated by water and sewer services. In Forsyth, 49 percent of all expenditures were for water and sewer; and in Hysham, 43 percent. Public safety expenditures were also significant in Forsyth and Hardin. In both Hardin and Forsyth, the largest revenue source was the sale of special improvement district bonds. The bonds are paid by homeowners for the installation of public utilities and for street construction and repair. Also, a substantial amount of revenue came in from fees and charges for services and in particular, water and sewer services. The Mountain West concluded:

"Hysham had little population growth since 1970. Expenditures per capita have decreased overall as have mill levies. Forsyth and Hardin have had rather large increases in the tax burden on residents. Forsyth's population has almost doubled over the past five years, and Hardin's has increased by a smaller but still substantail amount. The result in demand for services has not been accompanied by increased taxable valuation per capita, because the sources of the impact are not subject to municipal jurisdiction.

"Eventually, a substantial portion of the severance tax will be available to municipal governments in the county in which the mines lie. This revenue source will relieve some of the tax burden on the residents of local cities and towns. For the time being, however, Forsyth and Hardin appear to be in a difficult period in which expenditures per capita have increased, but reimbursements from state taxes on the development which is partly responsible for the increasing expenditures have not been received."

COMMENTS

Montana municipalities received $8.3 million from the state government in 1974-75, which was 10.3 percent of the total general revenue of towns and cities. In contrast, the state aid to municipalities for all fifty states averaged 26.2 percent of municipal general revenues. As was noted in Chapter II, the major portion of the large revenue producers, such as individual income taxes and corporate net income taxes, is deposited to the state general fund or sinking fund, with one-fourth earmarked for schools. In addition, oil and gas severance taxes are deposited to the state general fund. The municipalities have derived substantial benefit from the coal development impact fund, which is financed by 17½ percent of the coal severance tax. The appropriations to cities and towns are shown in Appendix Table A-3. In addition, the towns and cities received benefit from the 10 percent of the coal severance taxes, which are allocated to coal area highway improvements. Nevertheless, the bulk of the coal severance tax funds is distributed to school districts or the state general fund.

As indicated in this chapter, some of the towns or cities have experienced an increase in total and per capita expenditures since the start of intensive energy development. However, since the taxable valuations per capita are rising more slowly in municipalities because the energy developments are not subject to tax in these jurisdictions, the towns and cities have had to turn to sewer, water, and garbage service charges, as well as increased tap fees and the issuance of bonds.

The central point to be made is that municipalities, unlike the counties and school districts, do not have added to their property tax roles the substantial increases in taxable property which result from mineral production and related energy developments, such as electric power gen-

erating plants. The municipalities appear to need the cash flow from additional tax sources or government aids because of the eventual resistance on the part of its residents to increased utility service charges and additional borrowing.

CHAPTER V

PUBLIC SCHOOL FINANCES AND IMPACT ALLEVIATION

Local public schools in Montana received $242.7 million in 1974-75. Federal funds provided $8.5 million and state governmental aids amounted to $67.8 million. The local districts including countywide school levies financed elementary and secondary programs in the amount of $166.5 million. The bulk of the local finances were from the property tax.

The debt outstanding was $80.5 million at the end of fiscal 1974-75. The entire debt was full-faith and credit debt.

School district expenditures are comprised of three elements. First, there is a school foundation program which is financed by state equalization aid and a county equalization levy of 40 mills in each county (elementary, 25 mills and high schools, 15 mills). The foundation program finances schools to a level equal to 80 percent of the "maximum permissive budget." The maximum permissive budget is specified in state law based upon a per pupil expenditure figure multiplied by the average number of pupils belonging (ANB).

Second, school districts finance the remaining 20 percent of the "maximum permissive budget" which is set by the legislature through a permissive levy of up to six mills for high schools and nine mills for elementary schools. If the levies do not bring the school budget up to the maximum budget level, the state makes up the difference through a statewide permissive property tax levy. During the past three years the state has imposed a permissive levy varying from 0 to 12 mills.

Third, a school district may vote additional millage to enrich its program without any legal limitation. For the 1974-75 school year, the general fund budget for all schools was: foundation program, $108.6 million; permissive levy, $27.1 million; and voted extra levy, $41.3 million. The foundation program was supported by state aid, $61.2 million and county equalization aid, $47.4 million.

The state equalization program received funds from three principal sources in 1974-75, namely: one-fourth of the state individual income taxes, $19.5 million; legislative appropriations, $33 million; and interest and income from state lands, $10.5 million. In addition to the general fund school budgets, the district may appropriate monies for transportation, tuition, debt service or building reserves and compensation insurance.

FINANCES IN AN IMPACTED AREA

An area of rapid expansion of employment and population due to coal development has been Colstrip, located in Rosebud County in southern Montana. The population in Rosebud County rose form 6,032 in 1970 to 10,000 in 1975. Forsyth, which had an estimated population of 3,000 in 1975 is the only incorporated town in the county.

The unincorporated community of Colstrip rose from 275 persons in 1970 to an estimated 2,246 in 1974 according to the Montana Power Company. The main reason for the increase in population has been the rapid expansion of coal production from 685,000 tons in 1969 to an estimated 8.2 million tons in 1975, according to the Montana Energy Advisory Council. Employment in coal-related activities such as mining, plant construction and plant operation rose from 120 in 1970 to 1,700 in 1975.

In addition to the increase in coal production, power companies began building two 330 megawatt generating plants identified as Colstrip I and II in 1972.

The rapid expansion increased elementary and high school enrollment in Colstrip schools from 187 in 1970 to 669 in 1975. The current fund budget grew from $95.6 thousand to $481.7 thousand in FY 1976. The high school district budget grew from $159.2 thousand to $463.3 thousand over the same period of time. During the same six year period, the school district experienced an increase in valuation from $1.4 million for elementary schools to $22.4 million in fiscal 76, and in the high school district valuations increased from $2.3 million to $24.2 million. The increased property taxes from higher valuations coupled with the increases in state aid permitted the Colstrip elementary and high school district to decrease total school levies, including the countywide levy, from 75.7 mills in 1969-70 to 64.77 mills in 1975-76.

The conclusions reached by Maxine C. Johnson and Randle V. White, University of Montana, in a report entitled *Colstrip, Montana: The Fiscal Effects of Recent Coal Development in an Evaluation of the Community's Ability to Handle Future Expansion*, concluded in part, "Total school levies in the Colstrip district followed an erratic pattern between fiscal 1966 and fiscal 1976. They were high in the late sixties as residents paid high levies for debt retirement on two new school buildings built before coal development became a factor. They were high again in fiscal 1974 and 1975 as enrollment increased with new plant construction and as the state imposed an unusual 12-mill statewide school levy in 1974.

...

"For now, however, the financial crunch appears to be over, with 1976 mill levies down substantially and both schools in possession of substantial reserve funds. A new elementary and a renovated high school building are in process, but neither will accommodate the increase in enrollment Colstrip III and IV will bring.

"One reason the problems were not more severe in Colstrip was that many construction workers lived in other parts of the county, or outside Rosebud County and their children were enrolled in other school districts. All schools in the county, of course, benefit from the increased property valuation underlying the countywide school levy. Nevertheless, the bulk of the benefits accrue to the Colstrip district, since all of the present coal development in the county lies within that district."

CASE STUDIES CONCERNING SCHOOL FINANCE IN ROSEBUD COUNTY

In the remainder of this section, two recent studies concerning school finances in Rosebud County will be reviewed by selecting excerpts from larger studies. The first study from which the following excerpts are taken is the report by Maxine C. Johnson and Randle V. White referred to above, published in October, 1975:

The Outlook for 1980

"A proposal for the construction of two more coal-fired generating plants at Colstrip currently is before Montana state government.... If the proposal is approved, and the approval goes unchallenged in the courts, construction of the two 700-kilowatt plants could begin in 1976. In the following analysis, we assume the completion of one plant in mid-1980 and of the other in mid-1981. We evaluate the ability of the Colstrip school district and Rosebud County to provide the additional services such an expansion would require.

"...... Previous sections have shown that local government, especially the Colstrip school districts, had some difficult times as population increased and enrollments rose and property valuations at first failed to keep pace. The financial difficulties were short-lived; in fiscal 1976 both the county and school districts found themselves in comfortable positions, with prospects for further large increases in property values as Plants I and II were completed.

"Now local government is faced with another construction cycle, should Units III and IV be approved. This time, however, construction activity will be imposed upon a considerably larger base, both in terms of population and property values.

"Projected Employment and Population. Table 7 presents estimates of coal-related employment (including construction) in the Colstrip area from 1976 through 1980.

Table 7

ESTIMATED EMPLOYMENT IN COAL-RELATED ACTIVITIES

Rosebud County

1975-1980

Year	Employment
1975	1,724
1976	912
1977	883
1978	1,428
1979	2,023
1980	2,076

NOTE: Includes mining, construction, and generating plant operation.

SOURCE: Maxine C. Johnson and Randle V. White. Data from Western Energy Company. Peabody Coal employment estimated by authors.

Peak employment during the construction of Units I and II occurred in 1975; total employment in coal-related activities averaged 1,700 that year. During the construction of Units III and IV, coal-related employment may average 2,000 in 1979 and 1980. In 1970 coal-related employment was approximately 120 and total employment in Rosebud County was approximately 2,550.

"Looking at the rapidity and extent of increased employment in the early 1970's (...), one wonders why the increase in population and therefore the impact on local government was not greater. We think there are a number of reasons, most of which have been alluded to in previous pages.

"First a good many construction workers did not live either in Colstrip or in Rosebud County. Other workers lived near the construction site, but did not bring their families. Second, the growth in derivative employment (i.e., employment in activities providing goods and services for coal-related employees) appears to have been quite small.

...

"The total of new coal-related jobs and the resulting new employment in derivative industries plus construction and related derivative employment represents the net increse in jobs in 1979 and 1980 over 1970. In each case, the estimated increments were added to the 1970 employment figure to obtain the projections for 1979 and 1980 which appear in Table 8.

...

"We think both the employment and the population projections represent the maximum increase. They assume, for instance, that all construction workers will reside in the county; this was not the case during the construction of Colstrip I and II. Nevertheless, since we wish to be conservative in estimating the probable effects on local fiscal affairs, we feel comfortable with these projections.

...

"What effects will the second round of employment and population increase resulting from the construction of Units III and IV have on Rosebud County and the Colstrip school districts? We think the second round will be considerably less painful than the first.

"Colstrip School Districts. Many of the new workers added to coal activities at Colstrip in the next five years will be permanent workers in the mines and the plants. Most of them will bring families with them and live within the boundaries of the Colstrip elementary school district and, of course, the larger high school district. In 1979, there will be some 310 more premanent mining and plant jobs and 485 more construction jobs in Colstrip than in 1974. In addition, jobs in supporting industries will be added.

Table 8

ESTIMATED TOTAL POPULATION AND EMPLOYMENT

Rosebud County

1970, 1974, 1979, and 1980

Year	Population	Employment
1970	6,032[a]	2,550[b]
1974	7,700[c]	4,000[d]
1979	11,900[d]	5,330[d]
1980	12,300[d]	5,490[d]

[a] Population as of April 1, 1970. U. S. Bureau of the Census, 1970 Census of Population, Number of Inhabitants, Montana, p. 28-15.

[b] U. S. Department of Commerce, Bureau of Economic Analysis, Regional Economics Information System, unpublished data; average annual employment.

[c] Population as of July 1, 1974. U. S. Bureau of the Census, Federal-State Cooperative Program for Population Estimates, Estimates of the Population of Montana Counties and Metropolitan Areas, Series P-26, No. 109, April 1975. Provisional estimate.

[d] Authors' estimates. Population as of July 1; average annual employment.

Source: Ibid.

"We estimate that the maximum increase in the Colstrip community's population between 1974 and 1979 would be 2,700 persons, making the total population in 1979 something like 5,000. We regard this as a maximum; it assumes that all permanent mine and plant workers, all the additional construction workers, and all new employees in derivative industries resulting from coal activity live in Colstrip. The estimate was computed in the same manner as the population estimate for the county. We assume that the proportion of school age children among the new population would be larger than for the 1974 population, and that Colstrip school enrollment in 1979 might reach 1,100.

"The Colstrip school districts currently are recovering from the effects of a construction cycle which resulted in overcrowding and rather high mill levies. They began the 1975 76 school year with comfortable reserves and the lowest mill levies in years plus the expectation that enrollments in the next year will decline as construction activity on Colstrip I and II ends. A recently-approved bond issue will finance a new elementary school and a renovated high school making it possible to accomodate the enrollment anticipated when Units I and II are in production.

"But if Colstrip III and IV are approved, a new round of temporary construction-induced enrollment increases will begin. The number of students at the peak, in 1979-80, could be as high as 1,100, compared to about 700 in the fall of 1975. The Colstrip districts will again have some serious planning to do to decide how to handle a temporary enrollment increase of such magnitude, as well as the larger permanent enrollment created by plant and mine operation.

"The most likely alternatives in handling the temporary increase appear to be mobile classrooms, use of the old elementary school, or double shifting. None of these is a really satisfactory solution. The extent of the problem will depend largely on how well the district is able to predict enrollments and provide timely expansion of temporary classroom space.

"We have assumed that new construction will be necessary to accommodate the permanent increase in enrollment, and have allowed for that in our estimates in Table 9.

"Table 9 indicates that the tax base will be adequate to provide the funding necessary to handle the situation well in terms of teachers and services plus the payments on two bond issues, at a combined levy of 16.19 mills, one mill below the 1975-76 rate and well below any

Table 9

SUMMARY OF PROJECTED COLSTRIP SCHOOL DISTRICT REVENUES AND EXPENDITURES, FOR OPERATING PURPOSES AND RETIREMENT OF BOND ISSUES

Fiscal Year 1980

	Elementary School	High School
1975-76 property tax mill levy	8.98	8.20
Potential revenue from district sources, 1979-80, assuming 1975-76 mill levies	$809,670	$757,160
Projected expenditure of district funds, Total	841,430	633,400
Operating	591,430	493,400
Debt retirement 1975 bond issue	160,000	90,000
Subsequent bond issue	90,000	50,000
Projected value of one mill	90,164	92,337
Mill levy necessary to raise district funds		
Operating	6.56	5.34
Debt retirement	2.77	1.52
State levy		9.50
County levy		47.00
Operations	5.00	
Debt retirement	2.00	
School levy	40.00	
High school district		6.86
Operating	5.34	
Debt retirement	1.52	
Elementary school district		9.33
Operating	6.56	
Debt retirement	2.77	
Total state, county, and district levy		72.69

Source: Ibid.

other, recent year. .... Even if property valuations lag somewhat with respect to inflation, levies should remain low. (A large proportion of the districts' tax bases consist of gross proceeds.) What the cost of temporary housing will be will depend upon how the problem is handled; we do not think taxpayers will find this burden intolerable. It is likely to create more temporary social problems than fiscal problems. We should note again that assistance will be available from the state, through the local impact and education trust fund. And if the mill levies do inch up above those we have estimated, Colstrip district residents may take comfort in the fact that once the construction bulge is over, their districts will be among the most wealthy in the state on a per pupil basis.

"Summing Up. What might the total tax burden for Colstrip school district residents be in 1979-80? We offer the following estimate: These figures assume a state levy the same as in fiscal 1975-76; county operating levies as described in preceding pages; an allowance for payments on a $3 million county bond issue for capital outlays; mandatory county school levies of 40 mills; and district 19 high school and elementary levies as described above. The total of these levies is smaller than for any year in the 1960s and 1970s,. . . and approximately one-half the 1968-69 levy.

"We conclude that Rosebud County and the Colstrip school districts face no really serious fiscal problems should Colstrip Units III and IV be constructed. The tax base will be large enough to keep mill levies low even though county government and the local districts must again provide an increased volume of services.

"We remind readers that this report is quite limited; other municipalities (especially Forsyth) and other school districts in Rosebud County will feel some effects of additional coal development and we have not dealt with those effects. We might note that the huge increase in the county property tax base should more than compensate for any increased burden of school financing at the county level and may well result in contributions to the state equalization fund. (Present law requires that all counties levy 40 mills for schools and turn any excess over to the state.). . . .

"Our assumption throughout has been that the services provided by Rosebud County and the Colstrip schools would be at or slightly above the traditional level--by some standards this means rather limited services.

"We have noted that Colstrip is an unincorporated company-owned community, and that the Montana Power Company and Western Energy wish to end their ownership. Should Colstrip become an incorporated community before 1979-80 (probably not likely), taxpayers within its corporate boundaries would be subject to city taxes in addition to county and school levies.

"And finally, we have given no attention to nonfiscal problems which additional construction and coal activity might create. Such problems no doubt will occur, but they are outside the scope of this report."

CASE STUDY OF FINANCES IN ROSEBUD AND BIGHORN COUNTIES

A recent study entitled *The Regional Economic and Fiscal Impacts of Energy Resource Development: A Case Study of Northern Great Plains Coal*, by John V. Krutilla and Anthony C. Fisher with Richard E. Rice examined in great detail the fiscal impacts on local government budgets in Eastern Montana. The general procedure was to generate both revenue and expenditure projections based upon several different levels of coal production and related activities such as electric power facilities. This massive study which was sponsored by Resources for the Future, Inc., Washington, D. C., is recommended to governmental leaders and students interested in impact analysis. The quotation which is an excerpt from the report pages 201 - 203 concisely summarizes some of the issues and possible solutions to school finance problems in the region of substantial coal production in Montana:

"In this chapter we set out to estimate what the implications of coal development in eastern Montana would be for the most significant single item on local government budgets -- education. We first played out the implications of the increased population associated with increased employment and economic activity, for the school age population and school enrollment. This led to estimating the necessary investment in expanded facilities and the annual costs, both school operating costs and the estimate of appropriate annual debt service charges on the increment to school facilities.

"Looking to the tax base to support this added educational program we discovered that the mandated minimum 40 mill levy would provide revenues that would be substantially in excess of any annualized costs associated with the increment in enrollment that the increment in coal development activities would occasion. However, the yields from the 40 mill levy are available within the county to support only the foundation program level education activities, which statewide averages about 60 percent of the total cost of the general school budget. The remainder of the tax yield varying between two and three times the amount that would be retained for the coal counties foundation programs, would be destined for the state equalization fund to help support the foundation program statewide. Accordingly, although the yield from the school district levies of 40 mills would provide resources adequate to cover all of the educational expenditures, were they permitted to, the excess costs over the amounts allowable under the foundation program would create serious difficulties for the school districts, i.e., those located within the town of Hardin, Forsyth and possibly Hysham in Treasure County, who are likely to bear the brunt of the demand for educational services without having the large mine and related industrial properties on their tax rolls.

"The difficulties created by the dissociation between taxable property and the location (jurisdiction) within which the demands for this public service would be made can be resolved by the use of the state severance tax receipts earmarked for mitigating local impacts resulting from coal development. A comparison of the cumulative investment requirements with cumulative earmarked tax receipts suggest that the former would represent only about an eighth of the latter for the coal for export only scenarios, and perhaps a quarter of the latter for the energy conversion scenario. Accordingly, the financing of one of the most significant areas of community services does not appear to be a problem no matter what level of intensity up to the limits we have investigated -- and these limits represent double or treble the level currently being implemented. It is important to note, however, that this outcome is a result of the terms of the severance tax which provides for local impact mitigation funds. The tax, however, is related to the extraction, not the conversion, of coal; and while the conversion and the facilities used for the purpose are also taxed, the terms with respect to the disposition of the revenues differ, i.e., making no allowance for mitigating local impacts. At the moment, given the projected receipts of severance taxes on the mining of coal, and the likelihood that there would be an increment in coal extraction corresponding to, or to supply, the increment in coal conversion, the severance tax provisions may continue to suffice. This is obviously an area to which close attention should be given by those responsible for administration and legislation in the areas."

COMMENTS

The state of Montana has not moved as rapidly as other states into a major program of state support for schools. State aid comprised less than 28 percent of total revenues in Montana in fiscal year 1975 as compared to 45 percent state aid to schools in the United States.

The thrust of the case studies is that the 40 mill mandatory levy will often provide a surplus of foundation fund revenue in energy-rich counties. This excess spills over into a state fund for distribution elsewhere. When a district is blessed with high assessed valuations an above average school program can be financed from the revenues from the foundation program, the permissive levies of six mills for high schools and nine mills for elementary schools, plus an extra enrichment levy if needed.

School districts are assured a basic level of support. If the local levies do not achieve the basic level of support, the state shores up the budgets to the minimum level provided by state law. Nevertheless, a school district requires an adequate assessed value per pupil conduct an above-average improved program of education. Otherwise the tax levies would have to be raised markedly.

A mechanism does exist to alleviate the demands upon the property tax base in towns such as Forsyth which are impinged upon by energy developments but do not enjoy these valuations. The coal impact board can, and indeed, has furnished grants to such impacted schools as well as to towns, cities and counties.

The coal impact funds are estimated to rise from 10.5 million in 1975-77 to $13.96 million in the next biennium. These funds, perhaps, should be enlarged upon by a share of the tax revenues from other energy development such as power plants and coal gasification plants. Furthermore, the assistance to impacted schools could be made more systematic by an aid program designed to channel impact aid to schools which enroll the children of energy development workers but which do not share in local taxable assessed valuations.

A program which provides early assistance to schools in affected areas would produce a more stable revenue source. This would improve a school's financial posture which would enhance its ability to attract good staff as well as to improve its financial ratings.

CHAPTER VI

FINANCIAL STRATEGIES FOR ALLEVIATION OF SOCIOECONOMIC IMPACTS

Montana has many features of an effective system for the alleviation of financial pressures in communities adversely impacted by energy developments. The tax structure includes a high-yield severance tax on coal production and a productive property tax on energy developments at the local governmental level. A coal board has been created with a sizable budget based upon a 17½ percent portion of the coal severance tax. The board has the power to make grants to local governments impacted by coal and related developments.

The shortfall or deficiency of the Montana program appears to be a result of the absence of an increased property tax base in towns and cities as well as bedroom counties following the development of energy-related enterprises. Furthermore, the state apportionment of coal severance tax revenues does not include a direct sharing of revenues with municipalities. The state general fund receives forty percent of the coal severance taxes which may be too great an amount in view of the needs of local communities.

STATE GOVERNMENT

Findings:

Montana has a productive tax revenue system, particularly in the area of energy development taxes. A WGREPO study shows a state and local tax of about $1.50 per ton of coal. Coal severance taxes alone are forecast to bring in nearly $40 million a year during 1977-1979.

The revenues for the coal impact alleviation fund are projected at nearly $7 million a year during the next biennium. Coal alleviation grants have been concentrated in the southwestern region of the state where coal development is most widespread.

A state trust fund will receive 25 percent of the coal severance tax until 1980, when the amount rises to 50 percent of the total. These funds may be appropriated by a three-fourths rate of both houses of the legislature.

The state will receive an additional $1.5 million per year from its share of the federal mineral lease revenues. A total of $6 million a year will rise to an estimated $11 million a year by 1979.

The stipulation that the state's share must be used for roads and schools was removed by PL 94-579, enacted in the fall of 1976. The new public law also stipulates that the money is to be used by the state and its subdivisions as the legislature of the state may direct, giving priority to those subdivisions of the state socially or economically impacted by development of the minerals leased under the act. In the past, all state-shared mineral lease money has been deposited in the public school foundation fund.

Alternative Strategies:

The state could channel the one-third increase in federal mineral lease revenues (equal to 12½ percent of the total) into the state impact fund to be used for grants primarily for impacted towns and cities. The funds should be allocated, in large part, to impacted towns and cities for three reasons: 1) the municipalities do not have their taxable property valuations increased by energy developments (which take place in unincorporated areas); 2) municipalities do not receive direct shares of coal severance tax revenues as other units of government do at present; and 3) if the funds are allocated to county government, the revenues must be deducted from revenues that counties may receive from the in-lieu-of-tax payments. This latter deduction is required if counties utilize the "best" option provided by the act, which is 75 cents an acre, to a maximum based on a dollar amount per capita. In making the above statement, it must be recognized that schools would continue to get three-fourths of the mineral lease money in Montana and that both the schools and counties receive an enhancement of the property tax base when energy developments take place.

A state legislative directive that the severance tax trust fund should be made available for community loans on favorable terms would enhance the fiscal options of affected local governments.

In addition to state coal board grants, the state should distribute by formulae more severance tax revenues to local governments.

Recommended Strategy:

The increase in federal mineral lease revenues should be deposited into the coal impact fund.

A state loan fund from trust funds and other state sources should be made available to communities affected by energy developments on favorable terms.

State distributions of severance taxes back to local communities should be increased, particularly for municipal purposes.

The electrical energy producers tax should be distributed, in part, to the community impact fund rather than entirely to the state general fund.

COUNTY GOVERNMENT

Findings:

Counties in Montana impacted by energy developments experience an increase in taxable property due to the assessment of real estate and equipment of electric power-generating plants, as well as increased valuations of coal mine operations. Counties also receive a share of coal severance taxes for highway improvements, general purposes, and land use planning. Furthermore, county governments receive grants from the Coal Board, which receives 17½ percent of coal severance taxes.

As pointed out in Chapter III on county government, the counties in regions of rapid energy developments have managed quite well. Rising taxable property valuations have provided a substantial revenue source. These revenues, coupled with state assistance revenues, have enabled counties in the coal production area to provide adequate facilities and services to rising populations.

County governments near the counties where the energy developments are located are not as sufficient in revenue sources. These counties do not enjoy the new valuations from development.

Alternative Strategies:

State-shared federal mineral lease revenues could be distributed, in part, to county governments. If this is done, these revenues would be a deductible item from payments in-lieu-of-taxes under the 75 cent per acre federal option.

Consideration may be given to increasing the share of severance taxes the state now distributes to counties shown in Chapter II.

A state loan fund may be created to extend loans on a favorable basis to county governments.

County boards may be encouraged to require new facilities to prepay property taxes as authorized by state law.

Recommended Strategy:

County governments with energy developments within their borders should receive loan assistance as well as grant assistance. The energy development tax base will, in time, enable these counties to repay loans rather easily.

Counties near a county of development are not recipients of the new assessed valuations from mineral and related developments. The Coal Board should focus particular attention on the impact problems in these counties. An evaluation of the extent of the impact of energy workers on the services required in these bedroom counties is needed.

MUNICIPALITIES

Findings:

Towns and cities in areas of accelerated energy development find that municipal expenditures rise rapidly due to the demands of an increased population as well as the heightened appetite of the new populations for public services. The upsurge in municipal budgets is being financed to a relatively large extent by sewer and water fees, other user charges, and by borrowing. There are limitations on these fiscal devices that are used in the absence of growth in valuations from the energy developments within towns and cities.

Alternative Strategies:

The one-third increase in mineral lease royalties the state will receive from the increased share of royalties from mineral development on federal property could be distributed primarily to towns and cities in areas affected by energy development. This revenue will increase by $1.5 million annually on the basis of current mineral lease revenues and will grow with mineral production activity.

The state should consider including cities and towns in affected areas in the distribution of the coal severance tax revenues. This share could be financed from a portion of the 40 percent of coal severance tax revenues which are now deposited in the state general fund. These would be in addition to the funds which are granted by the Coal Board from the 17½ percent share of coal severance taxes by the coal impact fund.

Recommended Strategy:

The Coal Board should direct particular attention to towns and cities in making grants to alleviate adverse impacts.

A percentage of the severance taxes on coal should be allocated by formula to municipalities. This percent of receipts would reduce the state general fund share now set at 40 percent of revenues. In making a distribution, the formula should consider the residences of the energy workers as a major factor.

A loan program should be established by the state to extend low interest rate loans with a period-of-years deferral of principal payments.

SCHOOL DISTRICTS

Findings:

Some of the school districts in regions of accelerated development and hence increased taxable valuations find that some of the tax revenue raised under the state mandatory levies spill over into financing other school districts. This, of course, assists the equalization process. A problem exists, however, among school districts which are located near centers of mineral development but which do not enjoy the increased taxable valuations. To a greater or lesser degree, these districts educate some of the children of energy-related workers who reside in these school districts. Since many workers live in mobile homes or modest houses, the rise in residential valuations does not keep pace with educational needs.

State school foundation program assistance helps to prevent the marked imbalances which could occur if equalization formulae did not exist. Nonetheless, a district with a high valuation is able to provide an enriched school program.

Alternative Strategies:

There is a variety of mechanisms for channelling additional state aid to the school districts near energy developments but which do not gain increases in taxable valuations. The possible sources of additional aid are: (1) the coal impact assistance fund; (2) a share of the severance taxes which now gives to the state general fund; (3) a portion of state-shared federal mineral lease revenues; or (4) the electric energy producers tax.

A state loan program to extent loans on favorable terms to the affected school districts would help mitigate the fiscal pressures resulting from front-end requirements. Loans should include provisions for a deferred payment of principal.

Recommended Strategy:

School districts in which are located mineral production and related energy developments are in excellent financial condition. If state assistance is needed at all, it would be short-term loans to finance new facilities.

A condition of revenue shortfall may exist for years in those school districts that do not experience increased taxable valuations from the new developments. These districts must provide educational facilities and programs for the children of energy workers who live in their districts. The state government should provide both loans and an increased annual flow of revenues to these districts. These districts' needs are lessened by the state foundation program. Nevertheless, an assistance program should be designed to direct revenues to alleviate the budget pressures on these districts. The sources of additional state assistance include: (1) a share of severance taxes; (2) ongoing coal board grants; (3) the electrical energy producers tax; and (4) federal mineral lease revenues.

The state loan program can utilize the permanent trust funds, especially the newly established trust fund based upon one-fourth of coal severance taxes.

APPENDIX

Table A-1

CALCULATION OF TAXES ON MONTANA SURFACE MINE WITH 9.2 MILION TON PRODUCTION

Gross value for severance, production tax calculations, and resource indemnity tax.

Operating costs before severance, production tax, or state income tax	$24,732,900
Gross profit	+7,123,000
Gross sales	$31,855,900

Resource Indemnity Trust Tax

Gross value	$31,855,900
Tax rate	$25 plus ½ of 1% of gross value
Tax	$ 184,280

Property Tax on Production

Gross value of production	$31,855,900
Assessed at 45%	$14,335,155
Tax rate	160 mills
Taxes	$ 2,293,600

Severance Tax

Gross value before property tax on production and resource indemnity trust tax.

$31,855,900
30%
9,556,800

Property Tax

Machinery & Equipment

Original investment	$34,464,200
Less depreciation-2 years	-7,263,200
	27,201,000
Assessed level	30%
	8,160,300
Tax rate	160 mills
Taxes	$ 1,305,600

(continued on following page)

Table A-1, Page 2

State Corporation Income Tax - Surface Mine

Sales	$51,013,580
Operating Costs	31,855,900
Plus	
Severance Tax) Indemnity Tax) Gross Production) Tax	12,034,680
Total	$43,890,580
Gross Profit	$ 7,123,000
Depletion[1]	3,561,500
Taxable Income	3,561,500
Tax Rate	6 3/4%
Taxes	$ 240,400

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[1] Not to exceed 50% of taxable income without depletion allowance.

Source: *Taxation of Surface and Underground Mining In Western States*, by Leonard D. Bronder, Western Governors' Regional Energy Policy Office, August, 1976.

Table A-2

CALCULATION OF TAXES ON MONTANA UNDERGROUND MINE WITH 4.99 MILLION TONS PRODUCTION

Resource Indemnity Trust Tax

Gross Value[1]	$56,975,255
Tax Rate $ 25 plus ½ of 1% of gross value	
Tax	$ 309,877

Property Tax on Production

Gross Value[1]		$56,957,255
Assessed at	33%	18,989,900
Tax Rate		160 mills
Tax		$ 3,038,400

Severance Tax

Gross Value[1]	$56,975,255
Tax Rate	4 %
Tax	$ 2,279,000

Real and Personal Property

Cost of Investment	$36,932,600
Depreciation for 2 years	-7,350,200
	29,582,400
Assessed at level of	30%
Assessment	8,874,720
Tax Rate	160 mills
Tax	$ 1,419,955

Corporate Income Tax

Sales	$62,602,532
Operating Costs	40,524,455
Severance Tax	+2,279,000
Resource Indemnity	+ 309,877
Gross Production Tax	+3,038,400
Total	$46,151,732
Gross Profit	$16,450,800
Depletion	-6,260,253
Taxable Income	10,190,546
Tax Rate	6 3/4%
Tax	687,862

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[1] Gross value does not include resource indemnity tax, severance tax, or property tax on production

Source: Ibid.

Table A-3

COAL BOARD GRANTS FOR ALLEVIATION OF COMMUNITY IMPACTS (Through First Quarter, 1977)

PROJECT	COAL BOARD GRANT	AMOUNT RAISED LOCALLY
0002 - COLSTRIP ELEMENTARY SCHOOL Two year bond payment on new school construction, 10 year payment schedule	$ 449,921.58	$1,847,730.00
0003 - COLSTRIP HIGH SCHOOL Two year bond payment on construction & remodeling to High School & bus garage	$ 317,185.00	$1,046,000.00
0004 - ASHLAND PUBLIC SCHOOL Six classrooms added Elementary, new gym, dressing & storage, additional office & business machine room	$ 800,000.00	- 0 -
0005 - ROSEBUD SCHOOL DISTRICT Music room, kindergarten, additional Elementary classrooms	$ 465,000.00	- 0 -
0006 - ROSEBUD COUNTY PLANNING Lump sum payment for data gathering & mapping, define study areas, topographic maps, aerial photos, soils maps, water street, sewer mapping, etc.	$ 32,000.00	- 0 -
0007 - FORSYTH ELEMENTARY SCHOOL Not to exceed $2,500,000.00 if District raises $275,000.00 for Elementary school building, middle school - 8 classrooms, gym, shower room, music, art, home economics room & instructional materials center	$2,500,000.00	$ 275,000.00
0008 - FORSYTH HIGH SCHOOL One lump sum payment for upgrading of present High School, air filter exhaust, movable walls for extra classroom, sidewalks for safety, etc.	$ 27,000.00	- 0 -
0009 - FORSYTH WATER TREATMENT DISTRIBUTION & STORAGE Payment will be made: July 76 - $300,000.00 - October 76 - $300,000.00 - January 76 - $15,000.00 for new water treatment plant, new distribution lines, storage reservoir	$ 615,000.00	$ 735,000.00

PROJECT	COAL BOARD GRANT	AMOUNT RAISED LOCALLY
0010 - FORSYTH WASTEWATER PUMPING STATION Earmarked at this time - Project must conform with Yellowstone-Tongue Areawide Facility Plan - This is for replacement of existing wastewater pumping station with Municipal Pumping Station	$ 150,000.00	$ 14,900.00
0012 - FORSYTH SEWAGE COLLECTION, TREATMENT & DISPOSAL Earmarked - This project must also conform with Y.T.A.P.O. & money must be matched by City of Forsyth. This project will upgrade existing treatment, collection, & disposal system. Expand size of lagoons	$ 25,000.00	$ 100,000.00
0014 - COLSTRIP SEWAGE TREATMENT Enlargement of sewage treatment system	$ 248,000.00	$ 248,000.00
0015 - ASHLAND WATER & SEWER Supplemental grant to fund additional costs for 200,000 gallon concrete reservoir, hard water well pump, chlorinator, 8" force main in lieu of 6" force main, etc. & construction costs	$ 71,080.00	$ 904,000.00
0017 - HARDIN SEWER LAGOON Sum of $19,262.50 at signing of contract & an additional amount not to exceed $211,872.50, or less. Paid on quarterly basis - for a 3rd cell, minor remodeling, lab equipment, 2-125 acre ft. holding ponds	$ 231,135.00	$ 688,405.00
0018 - HARDIN CAPITAL EQUIPMENT One lump sum payment for city equipment, patrol, backhoe, sewer cleaner, dump truck	$ 128,154.76	- 0 -
0019 - LODGE GRASS CAPITAL EQUIPMENT One lump sum payment for city equipment, garbage truck, used patrol, used crawler, backhoe	$ 125,250.00	- 0 -

Table A-3, Page 3

PROJECT	COAL BOARD GRANT	AMOUNT RAISED LOCALLY
0020 - HYSHAM WATER DISTRIBUTION SYSTEM for water system improvement, infiltration gallery, 100,000 gallon ground storage reservoir, upgrading supply & distribution mains	$ 377,640.00	- 0 -
0022 - 16TH JUDICIAL DISTRICT for law clerk, salary, benefits, travel, office equipment, misc.	$ 15,000.00	- 0 -
0024 - LODGE GRASS WATER LINE replace deteriorated water lines, remove water line from H.S. boiler room & adjacent field - new line along county road	$ 171,872.28	$ 90,000.00
0027 - FORSYTH CAPITAL EQUIPMENT for city equipment, motor patrol, garbage truck, street sweeper, compactor	$ 154,682.53	- 0 -
0028 - HARDIN ELEMENTARY SCHOOL for new Junior High School	$2,041,648.00	$2,550,400.00
0029 - HARDIN HIGH SCHOOL for 4 additional classrooms, auditorium addition	$1,168,000.00	$ 500,000.00
0031 - SAGEBRUSH LIBRARY FEDERATION Purchase of new bookmobile, library acquisitions, books, photocopier	$ 61,100.00	- 0 -
0002 & 0003 - COLSTRIP ELEMENTARY & HIGH SCHOOL for science lab equipment & life safety items	$ 100,000.00	
0016 - Rosebud County Jail for law enforcement building, ambulance garage, solid waste disposal and fairgrounds building addition	$ 100,000.00	$ 403,000.00
0030 - Treasure County Health Nurse for period 12/1/76 thru 11/30/77 - employment of a community health nurse	$ 4,490.00	$ 1,900.00

Table A-3, Page 4

PROJECT	COAL BOARD GRANT	AMOUNT RAISED LOCALL
0037 - COLSTRIP STREET CLEANING & FIRE EQUIPMENT for street sweeper, motor grader and fire truck	$ 83,000.00	- 0 -
0038 - COLSTRIP WATER TREATMENT SYSTEM for upgrading treated water by a clarifier unit, water storage enlargement - 500,000 gallon tank	$ 457,272.00	- 0 -
0043 - MCCONE COUNTY PLANNING for planning orientation, public ed. & information, study development impact, population & economic study, housing, community services, Brockway water & sewer systems, fiscal, county road studies; mapping, community services program, goals & objectives & future policy plan, implementation	$ 42,500.00	- 0 -
0042 - DAWSON COUNTY CENSUS for census and housing study in Dawson County	$ 11,500.00	- 0 -
0046 - HARDIN WATER SYSTEM IMPROVEMENTS improvements to water treatment & distribution system	$ 260,900.00	$ 300,000.00
0047 - HARDIN SEWER TRUNK MAIN construction of major sewer trunk main & lift station	$ 416,978.55	- 0 -

Table A-3, Page 5

ROSEBUD CO. FUNDED PROJECTS

0002 & 0003 Colstrip Elementary High School	$ 100,000.00
0002 Colstrip Elementary	$ 449,921.58
0003 Colstrip High School	$ 317,185.00
0004 Ashland Public School	$ 800,000.00
0005 Rosebud School District	$ 465,000.00
0006 Rosebud County Planning	$ 32,000.00
0007 Forsyth Elementary School	$2,500,000.00
0008 Forsyth High School	$ 27,000.00
0009 Forsyth Water Treatment Distribution & Storage	$ 615,000.00
0010 Forsyth Wastewater Pumping Station	$ 150,000.00
0012 Forsyth Sewage Collection, Treatment & Disposal	$ 25,000.00
0014 Colstrip Sewage Treatment	$ 248,000.00
0015 Ashland Water & Sewer	$ 71,080.00
0016 Rosebud County Jail	$ 100,000.00
0022 16th Judicial District	$ 15,000.00
0027 Forsyth Capital Equipment	$ 154,682.53
0031 Sagebrush Library Federation	$ 61,100.00
0037 Colstrip Street Cleaning & Fire Equipment	$ 83,000.00
0038 Colstrip Water Treatment System	$ 457,272.00
Total	$6,671,241.11

BIG HORN CO. FUNDED PROJECTS

0017 Hardin Sewer Lagoon	$ 231,135.00
0018 Hardin Capital Equipment	$ 128,154.76
0019 Lodge Grass Capital Equipment	$ 125,250.00
0024 Lodge Grass Water Line	$ 171,872.28
0028 Hardin Elementary School	$2,041,648.00
0029 Hardin High School	$1,168,000.00
0046 Hardin Water System Improvements	$ 260,900.00
0047 Hardin Sewer Trunk Main	$ 416,978.55
Total	$4,543,938.59

TREASURE CO. FUNDED PROJECTS

0020 Hysham Water Distribution System	$ 377,640.00
0030 Treasure County Health Nurse	$ 4,490.00
Total	$ 382,130.00

MCCONE CO. FUNDED PROJECTS

0043 McCone County Planning	$ 42,500.00
Total	$ 42,500.00

DAWSON CO. FUNDED PROJECTS

0042 Dawson County Census	$ 11,500.00
Total	$ 11,500.00

TOTAL FUNDED PROJECTS	$11,651,309.70

Table A-3, Page 6

ACTUAL PAYMENTS TO DATE

0002 Colstrip Elementary School	$ 258,947.30	
0003 Colstrip High School	$ 178,630.00	
0004 Ashland Elementary School	$ 6,024.00	
0005 Rosebud School District	$ 300,000.00	
0006 Rosebud County Planning	$ 32,000.00	*
0007 Forsyth Elementary School	$ 356,903.01	
0008 Forsyth High School	$ 27,000.00	*
0009 Forsyth Water Treatment	$ 615,000.00	**
0015 Ashland Water & Sewer	$ 71,080.00	*
0017 Hardin Sewer Lagoon	$ 19,262.50	
0018 Hardin Capital Equipment	$ 128,154.76	*
0019 Lodge Grass Capital Equipment	$ 125,250.00	*
0022 Judicial District	$ 15,000.00	*
0024 Lodge Grass Water Line	$ 111,716.98	
0027 Forsyth Capital Equipment	$ 154,682.53	*
0028 Hardin Elementary School	$ 41,272.60	
0029 Hardin High School	$ 7,950.00	
0030 Treasure County Health Nurse	$ 4,490.00	*
0031 Sagebrush Library Federation	$ 19,615.00	
0037 Colstrip Street Cleaning & Fire Equipment	$ 19,102.56	
0042 Dawson County Census	$ 7,015.00	
TOTAL	$2,499,095.24	

* (1) Lump Sum Payment
** Paid - Full Grant

(0002 & 0003 allocated an additional grant of $100,000.00 - payment pending)

Source: Montana Coal Board

Section Four: New Mexico

STRATEGIES FOR ALLEVIATION OF SOCIOECONOMIC IMPACTS IN NEW MEXICO COMMUNITIES

By Leonard Bronder, Resource Economist
Western Governors' Regional Energy Policy Office

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CHAPTER I

THE SETTING: MINERAL PRODUCTION ACCELERATES GROWTH IN NEW MEXICO

Total personal income in New Mexico rose from $1,758 million in 1960 to $3,148 million in 1970 and to $5,476 million in 1975. Despite the sizable increase in personal income, the state's per capita income declined relative to the other 49 states from 83 percent of the per capita income nationally in 1960 to 81 percent in 1975.

The increase in personal income in 1975, 13.8 percent, exceeded all of the fifty states, with the exception of Alaska. Wages and salaries from mining activity have risen from $173 million in 1973 to $299 million in 1975, or by 73 percent. Mining now exceeds income from agriculture, $244 million, and income from manufacturing, $270 million.

While wages and salaries have been increasing sharply, the number of workers in mining has declined from 39,329 in 1950 to 21,016 in 1960 and to 14,917 workers in 1973. The number of miners has risen from 463 to 1,060 persons in coal mining and from 1,118 to 1,452 in uranium mining since 1970. These statistics understate the growth in the combined mill, service, and support employees. For example, the total employment in the uranium industry, including the supportive employment, is currently estimated at about 5,200 workers. This number of workers is projected to increase to 9,975 in 1980 and to 21,000 in 1985.

The number of workers employed in exploration and production in the petroleum industry was estimated at 8,000 persons in 1975. Crude oil production was 95.1 million barrels in 1975, which ranked New Mexico sixth in the United States. Natural gas marketed was 1,203,000 million cubic feet and ranked New Mexico fourth in the nation. Both oil and gas production are expected to decline on the order of 3 percent per year during the next ten years (New Mexico Energy-Related Tax and Revenue Study. 1976).

Mineral production in New Mexico has risen to $2.2 billion in 1975 from $1.1 billion in 1970, as shown in Table 1.

Coal production is nine million tons a year at present. Two large electric generating plants, the San Juan plant and the Four Corners plant, near Farmington, use over eight million tons a year. The bulk of the remaining production of one million tons is coking coal from the York Canyon Mine, which is shipped to a Kaiser Corp. steel mill near Los Angeles, California.

New Mexico coal production may reach 40 million tons in 1980 and 60 million tons in 1985, if various plans prove out, including the WESCO and El Paso gasification complexes. A more modest additional production is forecasted in a study, *Coal Mine Expansion Study,* Federal Energy Administration, May, 1976. This latter report places the additional production at 14.9 million tons a year in 1980, to a total of 24 million tons.

The proposed fuel-related projects in the state are shown in Figure 1. It is apparent from these projects that the economic activity and the population growth from mineral production and related developments will occur largely in a few counties in the northwestern region of the state.

A recent study by the New Mexico Energy Impact Task Force entitled *Managing the Boom in Northwest New Mexico* presented the capital facility requirements for civic projects in the Northwest section of the state. Population growth is forecast to rise from 156,734 in 1976 to 177,900 in 1981 and to 229,000 in 1985, including two coal gasification plants, one in 1981 and one in 1983. This growth will induce a demand of about $242 million in additional public projects for schools, streets and roads, water and sewer, police and fire protection, etc., as shown in Appendix Table A-1.

Table 1

VALUE OF MINERAL PRODUCTION IN NEW MEXICO
(millions of dollars)

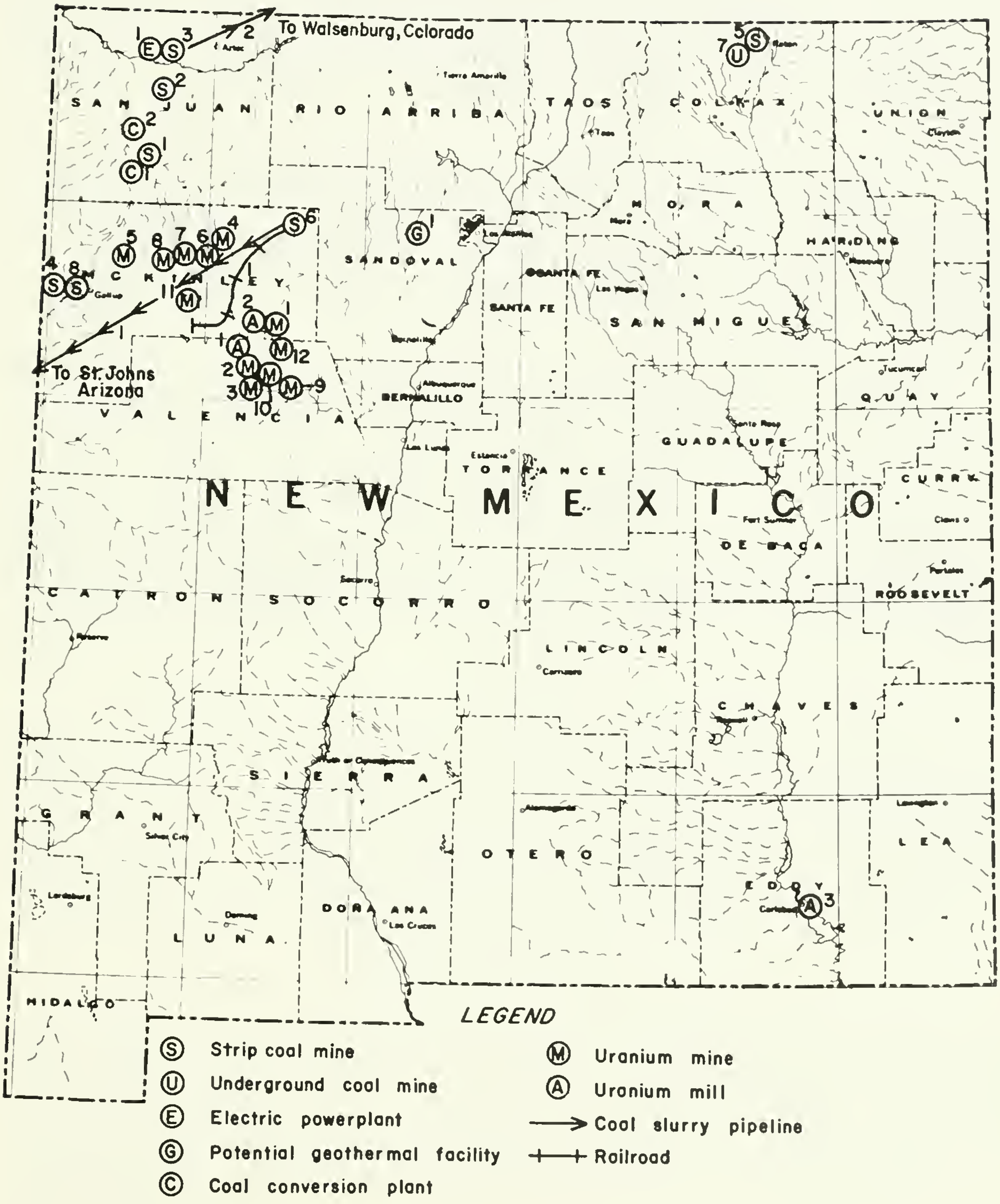
	1965	1970	1971	1972	1973	1974	1975^{P}
Crude Oil	$335.0	$410.3	$402.6	$376.8	$414.0	$712.6	$770.6
Natural Gas	110.6	162.9	175.1	225.4	287.9	390.9	452.4
Natural Gas Liquid	46.1	62.7	71.8	75.7	106.9	174.3	232.6
Coal	10.7	21.2	26.3	29.8	31.9	42.0[1]	61.0[1]
Uranium	38.3	70.0	65.5	68.1	59.4	104.7	215.8
SUB TOTAL	541.2	727.1	741.3	775.8	900.1	1370.5	1732.4
All Other	231.9	333.3	305.0	321.5	405.5	517.0	427.4
TOTAL	773.1	1060.4	1046.3	1097.3	1305.6	1941.5	2159.8

P - Preliminary
1/- Estimated by Legislative Energy Committee

Source: New Mexico Business, Jan-Feb 1976

Figure 1

FUTURE FUELS-RELATED PROJECTS IN NEW MEXICO



Source: *Information Circular No. 8719*, May, 1976.
U. S. Bureau of Mines, Department of Interior.

The additional public facilities may be financed in part by federal and state grants and loans. Nonetheless there will be substantial demands placed upon local government to finance the needed facilities. At present, the fiscal capacity of the local governments is far too limited to provide the debt service payments which would be required. In addition, the local government limits on bonded debts are very restrictive.

A vast shortfall in the financial capacity is reflected in the figures for the Grants uranium belt area, or Valencia County. Unused bonded debt for the county is $5 million; for the School District No. 3, $520,000; for the town of Grants, $338,000; and for the town of Milan, $172,000. These are far short of the total projected needs for 1981 of $23.8 million for civic projects.

The actual dimensions of the fiscal problems created by rapid growth which induce need for public facilities and services, as well as housing, may be higher or lower than the forecast. What is clear, however, is the inability of the local governments in impacted areas to cope with the financial demands from existing financial resources. In order to develop financial strategies, it is necessary to understand the current federal-state-local tax, debt, and spending patterns in New Mexico. The next chapter of this report addresses this background material.

CHAPTER II

STATE AND LOCAL FINANCES AND THE PROBLEM OF COMMUNITY IMPACTS [1]

State and local governments in New Mexico received $1,264 million in general revenues in 1974-75. The statistics which are the most recently released by the Bureau of Census show that the percentage of revenues by levels of government were federal, 27 percent; state, 58 percent; and local, 15 percent. For all fifty states, the shares of state and local general revenues were federal, 21 percent; state, 42 percent; and local, 37 percent. The western states, such as New Mexico, receive above-average distribution of federal funds due to the large amounts of federal land, federal mineral royalties, and the weight given to land area in distribution formulas.

STATE EXPENDITURES

State general spending was $857.6 million in 1974-75. Direct expenditures, excluding $306.8 million in governmental transfers, was $550.8 million. The state directed the major portion of spending for two categories: highways, $121.4 million, and education, $400.3 million.

Other state spending was for the following purposes: natural resources, $27.1 million; welfare, $88.7 million; health and hospitals, $57.4 million; financial administration, $15.4 million; employment security, $8.1 million; general control, $18.2 million; police, $9.8 million; and corrections, $7.8 million. These expenditures do not include state aid for education and other transfer payments which were distributed as follows: schools, $231.4 million; counties, $12.2 million; municipalities, $57.8 million; and unallocable, $5.4 million.

STATE REVENUES

The revenues received by state and local government in New Mexico, after taking account of intergovernmental transfers, were $691.8 million, or 54.7 percent, for state government; and, $572.5 million, or 45.3 percent for local government. The state receives revenues from a variety of sources. These sources include tax revenues, federal aid and revenue sharing funds, royalty income from state and federal lands, and interest income from investments.

---

[1] The recent legislation enacted by the 1977 legislature affecting financial strategies for impacted communities and the taxation of minerals is reviewed in an addendum at the end of this chapter.

TOTAL REVENUES FOR STATE GENERAL PURPOSES

New Mexico state government received a total of $1 billion in general revenues in fiscal year 1974-75, as shown in Figure 2. The sources were: intergovernmental revenue, $276 million; tax revenues, $519.6 million; charges, $69.3 million; and miscellaneous, $140 million.

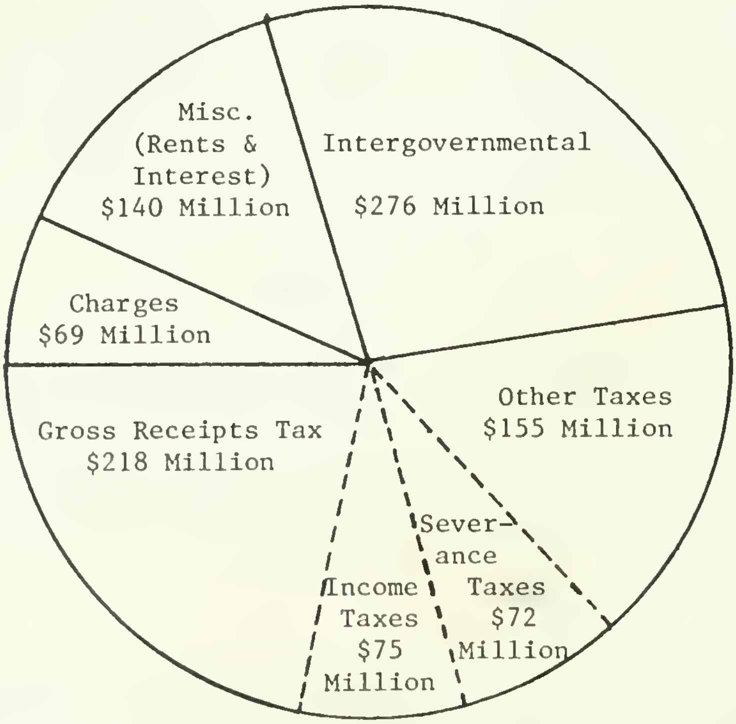
Intergovernmental revenues were received from the federal government, $265.0 million, and from local government, $11.1 million. The federal government revenues were for public welfare, $65.7 million; highways, $64.4 million; health and hospitals, $6.5 million; natural resources, $5.3 million; general revenue sharing, $13.2 million; education, $78.1 million; and all other, $37.0 million.

Revenues from charges were from education, $47.4 million; hospitals, $14.0 million; natural resources, $3.3 million; and other charges, $4.5 million.

Miscellaneous general revenues were derived from rents and royalties, $76.5 million; interest earnings, $50.5 million; and all other, $13.0 million.

Figure 2

NEW MEXICO STATE REVENUES
1974-75



Source: U.S. Bureau of the Census

TAX REVENUES

New Mexico state tax collections were $519.6 million in 1974-75. Major tax sources were gross receipts taxes, $218.3 million; individual income tax, $56.6 million; corporate income tax, $18.3 million; severance taxes, $71.6 million; motor fuels, $57.7 million; motor vehicle registration fees, $28.4 million; tobacco excises, $13.4 million; insurance premium taxes, $9.9 million; alcoholic beverages, $6.4 million; business licenses, $6.1 million; hunting and fishing licenses, $3.6 million; and property taxes, $14.0 million.

Individual income taxes are levied on federal taxable income base with various minor adjustments. The rates on taxable income vary from .9 percent on the first thousand dollars to 3.6 percent on amounts over $10,000 and to 9 percent on taxable income in excess of $200,000. The revenues are deposited in the state general fund.

Corporate income taxes are imposed on the federal tax base. The rates are 5 percent on general corporate income and 6 percent on financial corporate income. The revenues are deposited in the state general fund.

Gross receipts taxes are imposed at a rate of 4 percent; this is a broad-based tax applied to the gross receipts of all businesses with various minor adjustments. Three-fourths of the revenues are deposited in the state general fund, and one-fourth is distributed to the incorporated municipalities where the tax is collected. A compensating use tax is levied at 4 percent, with the revenues going to the general fund.

Cigarettes are taxed at 12 cents per package. Three cents per package of the cigarette tax is distributed to the counties and cities where collected, of which one cent is for recreation. The state general fund receives the remaining nine cents of the total tax of twelve cents per package.

Alcoholic beverages are taxed at various rates, from beer at eight cents per gallon to wine at 40 cents per gallon, and alcoholic spirits under 100 proof at $1.50 per gallon. The revenues are deposited in the state general fund.

Insurance premium taxes are imposed at 2½ percent of gross premiums. Proceeds are deposited in the state general fund.

Motor vehicle registration fees are based upon the age and weight of the vehicle. The proceeds are deposited in the state road fund.

Motor vehicle fuel taxes are levied at seven cents per gallon. The net collections are distributed as follows: 9/10 of a cent per gallon to municipalities and class H counties, pro-rated to the sales, 1/10 of one cent to all counties, pro-rated to unincorporated area population to the total unincorporated area population of the state, and the remainder to the state road fund.

Severance Taxes. "Severance taxes" is a term rather loosely applied by the United States Bureau of the Census to describe a number of New Mexico taxes on the extraction and processing of natural resources--particularly oil and natural gas and hardrock minerals. These are the following:

Oil and Gas Severance Tax. Until July 1, 1977, a tax at the rate of 3.75 percent on the taxable value of oil and natural gas. Taxable value is the actual price received at the production unit less federal, state, and Indian royalties and the reasonable expense of trucking the product to the first place of market. Revenues are deposited in the severance tax fund.

Severance Tax on Other Natural Resources. A tax at varying rates and on varying bases on timber and any metalliferous or nonmetalliferous mineral product except oil and gas. Until July 1, 1977, uranium is taxed at one percent of fifty percent of the preceding year's sales price of U308 ("yellowcake") and of an underground mine, less fifty percent for hoisting, crushing, and loading expenses; coal is taxed at one-half of one percent of the market price less a maximum of fifty percent for hoisting, crushing, and loading expenses. Potash is taxed at 2.5 percent of the market price (defined as 40 percent of the price); copper at .5 percent; timber and other minerals at .125 percent (rates and base for these minerals and timber were not changed by the 1977 law). Revenues are deposited in the severance tax fund.

Severance tax funds are deposited in a severance tax bonding fund to finance bonding for sewer treatment facilities, state vocational schools, state parks and recreation facilities, etc. with excess, if any, to be deposited in severance tax permanent fund.

Oil and Gas Emergency School Tax. A tax on the privilege of doing business at a rate of 2.55 percent of the taxable value of oil and natural gas on the same base as the oil and gas severance tax. Revenues are deposited in the state general fund.

Resources Excise, Processors, and Service Tax. A tax on the privilege of doing business at varying rates on timber and minerals other than oil and gas. Rates are .5 percent on potash, .125 percent on molybdenum, and .75 percent on all other natural resources. Revenues are deposited in the state general fund.

Natural Gas Processors' Tax. A tax on the privilege of doing business as a processor of natural gas or liquid hydrocarbons at the rate of 45/100 percent of the actual price received at the plant. Sales to state, local, and federal governments and to certain non-profit organizations are exempt. Revenues are deposited in the state general fund.

Conservation Tax. A tax at the rate of 18/100 percent on the taxable value (actual price, less federal, state, and Indian royalties, and reasonable cost of trucking to market) of oil, natural gas, uranium, coal, and geothermal energy. Receipts from this tax are earmarked for operation of the state energy resources board.

Oil and Gas Ad Valorem Production Tax. A property tax on 50 percent of value of oil and natural gas at the cumulative property tax rate of the school district in which the production unit is located.

Oil and Gas Production Equipment Ad Valorem Tax. A property tax on oil and gas equipment measured by 9 percent of the value of oil and natural gas at the cumulative property tax rates of the school district in which the pro-uction unit is located.

Property (ad valorem) taxes are also assessed against other mines (both producing and non-producing) and mineral production. The taxable value is determined by the property tax department and cumulative tax rates of the school district in which the mine or production is located are applied. These property taxes, however, are not included in the Census Bureau's "severance taxes."

Electrical Energy Fund. Three bills enacted by the 1975 New Mexico legislature provide for the imposition and distribution of a special energy tax. Senate Bill 258 levies an electrical energy tax on the privilege of generating electricity in New Mexico for the purposes of sale. The rate of the tax is 4/10ths of one mill ($0.0004) per net kilowatt hour of electricity generated in the state. The tax is scheduled to terminate July 1, 1984. Corporations subject to the tax but supplying electricity in New Mexico, are allowed a credit equal to the amount of the tax paid. It is anticipated that the tax will generate $8 million annually, with $2 million credited for New Mexico transmission, resulting in $6 million available for distribution.

New Mexico has received indications that the electrical energy tax has been challenged by power companies in Phoenix and Tucson and, perhaps, by the State of Arizona. Legislation has been passed in the Congress which may void the New Mexico law.

THE STATE AND LOCAL PROPERTY TAX

The property tax has a subordinate role in the New Mexico state and local tax revenue system. Total property taxes collected in 1974-75 were $109.5 million, or 17 percent of the total tax revenue from all sources, while nationally the percent is 36 percent. Property taxes by unit of government were state, $14 million; schools, $54.0 million; counties, $21.2 million; municipalities, $18.0 million; and special districts, $2.3 million.

An important feature of the property tax system is the constitutional limitation of 20 mills. The allocation of the 20 mills is made annually by the New Mexico Department of Finance and Administration for all units of state and local government. The state makes a levy, which is within the 20 mill limitation; namely, a levy for the general fund. Service of debt levies are not included under the limitation.

The maximum rate for general county purposes in those counties in which a real appraisal has been completed is six mills.

The maximum rate for municipalities is 2.225 mills, which must not be exceeded for general purposes.

School districts are required to levy a school district tax on property within the boundaries of the school district at a rate of 8.925 mills.

There have been various proposals to reallocate the millage limitations. Several recent proposals were cited in "New Mexico Property Taxes and the 20 Mill Limitation" by Inez B. Gill of the New Mexico Legislative Council Service, January, 1973.

Among the proposals was a strategy recommended by the late Representative Eugene Cinelli to enact a statewide tax of 20 mills on all property assessed by the State Property Appraisal Department. The assessments by the state now include utilities, mines and oil and gas production and equipment which aggregate about 40 percent of all taxable valuations. Under the proposal, the revenues would have been shared as follows: schools, 50 percent; counties, 30 percent; and municipalities, 20 percent. Local maximums on local assessed property would have been established thusly: general county, 6 mills; municipalities, 4 mills; county school levies, 6 mills; and school district, 4 mills.

Mrs. Inez Gill suggested a statewide levy on all income producing property with a local tax on other property for counties and municipal governments. Mrs. Gill cited some problems regarding a strategy to permit only the state to levy up to 20 mills on certain state-assessed properties to the exclusion of local governments. One problem was the state constitutional limit of 20 mills, of which 10 mills is for all state purposes. She stated, "If public education is declared to be legally a state purpose, it might be held that any revenue from a state property tax intended for the public schools would have to come within the ten mill limit and that proceeds of any state tax at a rate exceeding 10 mills would have to be returned to county and municipal governments." Another aspect of the issue cited by Mrs. Gill was that many local governments, including most of the school districts, have outstanding bonded debt, the redemption of which is guaranteed by property taxes levied upon the values existing at the time the debt was incurred. A solution might be to continue the allocation of taxable value of property subject to the state tax to the local school district, county, municipality, or special district in which the property is located for debt service and special levy purposes.

STATE DEBT

The state indebtedness was $152.7 million at the end of fiscal 1974-75. There was no short-term debt outstanding. Total debt was long-term, with $131.2 million non-guaranteed debt and $21.6 million full-faith and credit debt. Almost all of the debt; namely, $135.6 million, was for educational purposes, which are mainly for college and university dormitories and other revenue-producing investments.

CASH AND SECURITY HOLDINGS

Cash and deposits for other than insurance trust funds were $280.7 million at year end 1974-75. Total security holdings were $685.9 million, invested as follows: federal, $255.5 million; state and local, $2.1 million; and all other, $428.3 million.

Permanent fund investments were $583.5 million at year end 1974-75. In addition, cash holdings were $15.2 million. The investments in permanent funds were largely invested in federal securities, such as federal national mortgage association, $65.5 million; farmer homes administration, $69.7 million; and government national mortgage association securities, $39.2 million. Corporate stock held totalled $138.7 million, and corporate bonds aggregated $128.5 million. Over 80 percent of the investments are dedicated to the common school fund. The main source of revenues is sale of lands and mineral royalties which were $54.9 million in 1974-75.

The severance tax permanent funds, which totalled $57 million on June 30, 1975, were held in certificates of deposit, $31 million; and cash balances, $19.2 million.

SEVERANCE TAX PERMANENT FUND AND DEBT

The legislature authorizes the issuance of Severance Tax Bonds for capital improvements. The first such bonds were issued in 1941 and a total of $66,979,900 have been issued since that time. The bonds have always been issued on a short term maturity schedule. As of May 31, 1976, there were outstanding Severance Tax Bonds totaling $18,812,000. Bonds in the amount of $3,463,000 are scheduled for retirement during the 1976-77 fiscal year.

The State Board of Finance must not issue Severance Tax Bonds unless the aggregate amount outstanding, and including the issue proposed, can be serviced (principal and interest) with

Table 3

SEVERANCE TAX BONDING FUND

	Fiscal Year 1972-73	Fiscal Year 1973-74	Fiscal Year 1974-75
RECEIPTS			
Oil and gas	$13,519,881	$18,389,898	$36,063,930
Copper	514,919	697,067	619,137
Uranium	191,272	142,833	162,809
Potash	257,302	319,808	440,891
All Other	88,059	78,230	243,022
Additional Income	96,110	170,906	227,008
Interest	235,736	156,426	155,246
TOTAL:	$14,903,279	$19,955,168	$37,912,043
LESS:			
Refunds and Other	-0-	-0-	16,480
AVAILABLE FOR DEBT SERVICE:	$14,903,729	$19,955,168	$37,895,563

Source: State Department of Finance and Administration.

not more than fifty (50%) percent of the annual deposits into the Severance Tax Bonding Fund, as determined by the deposits into the Fund during the preceding fiscal year.

Effective July 1, 1973, the Legislature created the Severance Tax Permanent Fund by directing that on each December 31st and each June 30th, the State Treasurer shall transfer all money in the Severance Tax Bonding Fund except the amount needed to meet all principal and interest payments on Severance Tax Bonds on the next two ensuing semi-annual payment dates. The money in the Permanent Fund shall be invested by the State Treasurer in accordance with the investment standards used in the investment of State Funds. The income from these investments shall be transferred to the Severance Tax Income Fund. Prior to the enactment of this law, Severance Tax Bond Fund balances, shown in Table 3, were transferred to the General Fund.

The Severance Tax Permanent Fund was started with a $7,000,000 General Fund appropriation. The balance as of May 31, 1976, was $79,311,242.92 The Severance Tax Income Fund balance as of May 31, 1976, was $1,031,026.24.

A constitutional amendment approved in November, 1976, gave constitutional status to the "severance" tax permanent fund". The amendment requires that portion of state revenue derived from severance taxes imposed upon the severance of natural resources, other than that required to pay principal and interest on bonds to which the severance tax is pledged, be placed in this fund. The fund cannot be appropriated by the legislature without the approval of three-fourths of the members elected to each house. The amendment provides that the fund shall be invested as provided by law, and that the income from the investments shall be appropriated as other general operating revenue is appropriated.

AIDS TO LOCAL GOVERNMENTS

The state provides a substantial amount of financial assistance to local governments. Local aids totalled $313.2 million in 1974-75, or 43 percent of the total general state revenues.

Among the ten WGREPO states, New Mexico exceeded all of them in the proportion of state assistance to local government. The next highest states were Arizona - 42 percent, and Colorado - 34 percent in local aids as a percent of state general revenue.

Intergovernmental revenues from state and federal sources for local government were $390.7 million in 1974-75. Federal sources totalled $77.5 million. The distribution of total general aid revenues was schools, $262.2 million; municipalities, $102.2 million; and counties, $29.9 million.

COMMENT

The state tax structure is well balanced. A broad-based gross receipts tax is augmented by a graduated individual income tax, a corporation income tax, severance taxes, excise taxes, and a moderate state property tax levy.

Severance taxes were $82.2 million in fiscal year 1974-75 according to the Annual Report of the Department of Finance and Administration. In addition to these revenues from mineral production, the state received land rents and royalties amounting to $63.1 million, of which $62 million was from oil and gas production. Revenues of $22.4 million were received from federal mineral leases which are shared with the state.

These mineral revenues are not used for socioeconomic impacts. Severance taxes are used for servicing the severance tax based bonds with the major residual share being deposited in the severance tax permanent fund. State land rents and royalties flow largely into the state permanent school fund. The receipts from federal mineral leases are earmarked for education.

The severance tax on uranium is one percent of one-half of the prior year sales price, less a flat 50 percent deduction for costs of hoisting, loading and crushing. An additional deduction is allowed for state and federal rental and royalty payments. The tax on yellowcake at $8 a pound, at the one percent rate, is about 1.65 cents according to New Mexico Bureau of Revenue computations. This tax rate is low and the deductions are excessive when viewed from the perspective of mineral taxation as cited in two WGREPO reports.[1]

When severance, conservation, resource excise, and property taxes on uranium are combined, the tax is computed at 1.65 percent of sales price. In contrast, the tax on Montana coal is estimated to be about 40 percent of sales price.

Severance taxes on uranium were $181,600 in 1975 on a gross production value of $86.8 million. Resource excise taxes at 0.75 percent of gross value less minor deductions were $564,000 on a gross value of $77.1 million.

The severance tax on coal is 3/4 of a percent, or the present sales value less a deduction for hoisting, crushing and loading which averages 17 percent), and a deduction for federal and state rents and royalties. Combined direct property, severance, conservation and gross receipts taxes on coal are estimated to be $0.47 a ton or 6.26 percent of sales value. The WGREPO reports indicate that New Mexico has a lower than average tax on coal among Western states.[1]

It is obvious that the tax on uranium production is favorable to the producers. Proposed changes in New Mexico mineral taxation were commented upon in the preceding section of this report.

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[1] *Taxation of Surface and Underground Coal Mining,* August, 1976, and *Taxation of Coal Mining: A Review with Recommendations,* January, 1976.

New Mexico state aid to local government programs is, in large part, to equalize educational expenditures. The state equalization program has received favorable attention nationally and resolves the problems of equalities which might otherwise stem from huge imbalances in taxable valuations. The needs for additional facilities may not be resolved, however, since the aid program is not directed to capital expenditures.

State aid programs to municipalities and counties are more modest than the school aid program. Without adequate state or federal aid or shared revenues, these governmental units must turn to alternative sources of revenue. The avenues to additional revenues are blocked by restrictions on local sales or income taxes and a straight-jacket on property taxes. The constitutional 20 mill limit on the property tax and bonded debt limitations restrict the fiscal options of local units of government.

State permanent trust funds could be used for loans to local governments. This strategy to help impacted communities is thwarted by (1) the unwillingness of the legislature to adopt the program; (2) the prudent-man rule in making trust fund investments; and (3) the inability of local governments to finance increased indebtedness from any source.

Furthermore, the state will have a general fund surplus of $67 million and a reserve fund for contingencies of $40 million for 1976-77 according to the state revenue office. A state program to provide per capita aid to municipalities and counties was not continued in 1976. The state surplus coupled with rents, royalties, federal mineral receipts and severance taxes provide the state government with adequate financial resources to alleviate community impacts by providing loanable funds and grants.

ADDENDUM TO CHAPTER II

RECENT LEGISLATION

The State Legislature enacted several important statutes at the close of the 1977 session.

The tax rate and base were changed on coal and uranium. Coal severed from the ground is taxed at $0.38 per short ton (two-thousand pounds) for steam coal and $0.18 per ton for metallurgical coal.

The tax base of uranium is measured by the quantity of U308 contained in and recoverable from severed and saved uranium-bearing material, whether that material is ore or solution, measured in a standard manner established by regulation of the commissioner of revenue. The taxable event is the sale, transportation out of New Mexico, or consumption of the uranium-bearing material, whichever first occurs. A tax upon each pound of severed and saved U308 contained in severed uranium-bearing material shall be collected a severance tax as specified in the following table:

If Taxable Value Per
Pound of U_3O_8Is:

Over	But Not Over	The Tax Per Pound Shall Be:
$ 0	$ 5.00	$
$ 5.00	$ 7.50	$ .05 plus 1.6% of excess taxable value over $ 5.00
$ 7.50	$10. 0	$ .09 plus 2.0% of excess taxable value over $ 7.50
$10.00	$15.00	$ .14 plus 3.0% of excess taxable value over $10.00
$15.00	$20.00	$ .29 plus 4.0% of excess taxable value over $15.00
$20.00	$25.00	$ .49 plus 5.0% of excess taxable value over $20.00
$25.00	$30.00	$ .74 plus 7.0% of excess taxable value over $25.00
$30.00	$40.00	$1.09 plus 9.0% of excess taxable value over $30.00
$40.00	$50.00	$1.99 plus 12.5% of excess taxable value over $40.00
$50.00	and over	$3.24 plus 12.5% of excess taxable value over $40.00

A registration procedure allows a taxpayer to elect to file with the Bureau of Revenue evidence that the taxpayer cannot obtain pass through the new taxes into the selling price. Upon such contracts entered into before January 1, 1977, the uranium tax would be 1.25 percent of the taxable value.

Oil and gas conservation taxes were increased to 19/100 of one percent from 18/100 of one percent. When the reclamation fund equals or exceeds $1 million, the tax is reduced 1/100 of one percent. When the fund is equal to or less than

$500,000, the tax is raised by 1/100 of one percent.

Natural gas severance taxes were increased to 5 cents per MCF from 3-3/4 percent of taxable value. Oil severance taxes were changed to 45 cents per barrel from 3-3/4 percent of taxable value, which does not significantly change the first year's revenue. However, as prices rise in the future, the new unit tax will raise somewhat less revenue than the replaced tax based upon taxable value.

Surtaxes

A surtax is also provided in the new act. The surtax on uranium is computed at 25 percent of the percentage rise in the consumer price index from the annual average for 1976. This surtax applies only to uranium having a taxable value equal to or greater than $50 per pound. The surtax rate on metallurgical coal, steam coal, oil, natural gas, and other liquid hydrocarbons shall be computed by the appropriate taxing authority by multiplying the dollar amount of the severance tax imposed on the unit of quantity of such product or natural resource by a percentage equal to the percentage rise in the consumer price index from the calendar year 1976 to the calendar year just prior to the year in which the surtax rates are computed.

A large detailed "Christmas tree" appropriation bill (Chap. 91 Laws 1977) was passed late in the session. Among other appropriations, it provides for the issuance of $123 million in severance tax bonds, which will be paid off by severance tax revenues. Among the appropriations are: $10 million for the construction or improvement of roads in areas of energy and mineral development and $10 million for the purpose of making grants to mitigate impacts of mineral and energy development in the New Mexico Community Assistance Act.

Under the Community Assistance Act, the council will review specific proposals submitted by political subdivisions. The council will then recommend to the State Board of Finance for approval.

Council members will include:

1. The Director of the Department of Finance or a designee.

2. The State Planning Officer or a designee.

3. The Director of the Health and Social Services Department or a designee.

4. The Energy Resources Administrator or a designee.

5. One member who shall have financial expertise.

6. One member who shall have expertise in the extractive industries.

7. One at-large member.

The council, upon a recommendation for approval of funds, present their findings to the Board of Finance. The Board of Finance may approve the project and grant the monies to the political subdivision.

A tax credit on individual income taxes has been provided for calendar years 1976 and 1977. A credit of $30 for each taxpayer and his exemptions or 30 percent of the total tax liability.

Taxes will increase an estimated $40.9 million a year to a total of $105.4 million under present law. The detail is as follows:

SUMMARY OF SEVERANCE TAX REVENUE IMPACTS
First-year (Annualized Estimates)*
(thousands of dollars)

	Old Tax	New Tax	Net Gain
Tax Affected	Current Law	This Bill	This Bill
I. Severance Tax:			
Coal	$ 362	$ 4,554	$ 4,192
Uranium	$ 600	$10,600	$10,000
Natural Gas	$33,900	$60,600	$26,700
Oil	$29,300	$29,300	$ -0-
Total	$64,162	$105,054	$40,892
Item: Net Gain to Severance Bonding Fund (Thence to Permanent Fund)........			$40,892
II. Conservation Tax:			
Coal	$ 127	$ 153	$ 26
Uranium	$ 138	$ 160	$ 22
Total	$ 265	$ 313	$ 48
Item: Net Gain to Oil and Gas Conservation Fund...............			$ 48

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*In order to more clearly demonstrate the impact of this bill, the estimates are provided on an annualized basis which disregards the delayed impact on the 66th FY resulting from an effective date of July 1, 1977 and from normal reporting lags.

CHAPTER III

Case Studies of Communities Impacted By Energy Developments

IMPACTS AND NEEDS IN GRANTS/MILAN AREA

The most pronounced impacts over the next few decades are projected to occur in the Grants Uranium Belt, which is an area a hundred miles long, stretching from Gallup to Rio Puerco, and twenty miles wide lying north of highway 40. This area is the most important uranium-producing region in the United States, with a production equal to 43 percent of the U. S. total and a reserve which contains approximately one-half of the nation's uranium ore. The value of the production of the concentrate was $105 million in 1974, with 3,600 people employed in exploration and production, with a yearly income of about $35 million.

The expansion of uranium production will depend upon the extent that nuclear power usage is accelerated. Dr. Glen Whan of the University of New Mexico forecasts that by 1985 the uranium industry will need three times as much ore, which, of course, would result in an increased number of workers required. The population in the uranium belt may increase on the order of ten to twenty thousand, with the greatest impacts in the Grants/Milan area, which has a current population of about 14,400 people. The pressures from this rapid expansion will be felt over a full range of private and public facility needs. In addition to the need for housing, there will be a greatly expanded demand for sewer and water facilities, streets and roads, schools, health facilities, crime protection, and fire protection. Among the problems that exist for Grants and Milan is the phenomenon that most of the uranium and industry employees live and require services in Valencia County, while most of the industry is located and pays taxes in McKinley County. This fact, coupled with the growing cost of living created by accelerated development, has resulted in a reluctance on the part of local citizens to approve bond issues or impose more taxes on themselves.

The State Planning Office in a report entitled *The Grants Uranium Belt, August, 1976,* sets the additional capital outlay required for the uranium belt by 1985 at $25 million on the low side, and as high as $72 million under the high estimate. About four-fifths of the money will be required for water, sewer, streets and roads, and schools, with the amounts of capital varying from $4.2 million for sewer to $6.4 million for schools. The capital outlay for Grants/Milan alone by 1985 is estimated at $8 million under the low estimate and as high as $23 million as a high estimate. About three fourths of the capital needs is estimated for water, sewer, and streets. These estimates are reflected in Appendix Table A-2.

On the operating expenditure side, Grants and Milan have expenditures of $150 and $153 per capita, respectively. This is below the average of $221 per capita for communities in the Four Corners region. The gap may shrink after new growth takes place and expansion of public facilities is accelerated.

PUBLIC REVENUES FOR THE IMPACTED AREA

The general obligation bonding capacity as of December, 1975 for Valencia County is reflected in Table 4. If bonding were carried to capacity, the mill levy in Valencia County would rise from 6.0 mills to 11.435 mills, and the City of Grants from 52 mills to 63.3 mills for city, school and county purposes. These actions would drive the millage rate about 15 mills over the state average in the Grants/Milan area.

As is pointed out in the state planning office report, the Grants/Milan communities could raise about $845,000 through bonds, if the electorate voted them in. This is far short of the estimated capital needs required in two years, indicating a deficit in the $2 to $7 million range. The deficit could be reduced about one-half if the communities could garner adequate state and federal water, sewer, and recreation grants. In any event, it appears unlikely to the planning division that the communities will be able to entirely support the uranium impact, either by bonding or by receiving large enough amounts of grant funds. Under these assumptions, the state becomes the potential source of funding to underwrite the shortfall in revenues.

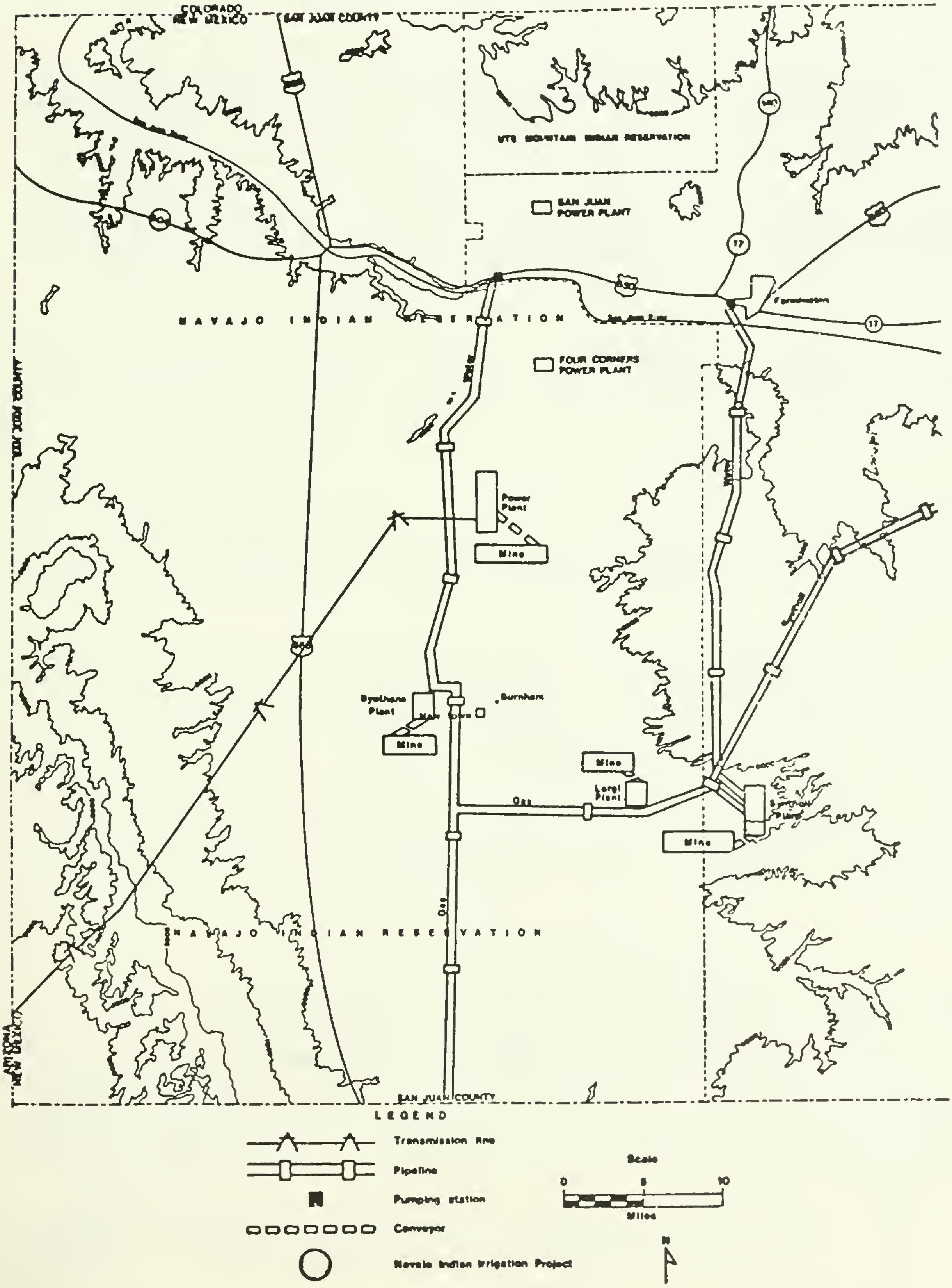
Table 4
BONDED DEBT CAPACITY IN VALENCIA COUNTY
December - 1975

	Capacity	Bonded Debt	Unused Capacity
Valencia County	$4,977,645	-0-	$4,977,645
Grants	302,274	$ 19,000	283,274
Milan	67,493	-0-	67,493
School District #3	2,504,411	2,275,000	229,411
Grants Water and Sewer		607,000	
Milan Water and Sewer		272,000	

Source: New Mexico State Department of Finance and Administration

Figure 3

THE LOCATION OF ENERGY DEVELOPMENT FACILITIES IN THE NAVAJO/FARMINGTON, NEW MEXICO AREA



Source: U.S. Environmental Protection Agency, ibid.

THE IMPACTS OF ENERGY RESOURCE DEVELOPMENT AT NAVAJO/FARMINGTON[1]

INTRODUCTION

The hypothetical energy development proposed in the Navajo/Farmington scenario consists of coal mining, electrical power generation, Lurgi and Synthane high-Btu gasification, and Synthoil liquefaction. The area and location within which development is to take place is shown in Figure 3. Electricity generated in the area will be transported via extra-high voltage transmission lines to demand centers in Arizona, California, and New Mexico; the synthetic gas will be fed into existing pipeline networks in the southwest and the synthetic liquids will be pipelined to western and/or midwestern refineries. These facilities will be constructed between 1976 and 1990.

In addition to this hypothetical energy development, the Navajo Indian Irrigation Project (NIIP) will become operational during the late 1970's. Given its size, this development is also taken into account when impacts are analyzed.

San Juan County's non-Indian economy is diversified among several sectors of economic activity. Wholesale and retail trade, government, transportation and communications, mining, manufacturing, and agriculture are among the principal employers within the county. The Indian economy is predominantly agricultural.

Services provided in the unincorporated sections of the county include police (a sheriff's department), fire (provided jointly with the state), and highway construction and maintenance. Public health care and public assistance are provided jointly by the county and state.

There are three incorporated urban areas in the county: Farmington, Aztec, and Bloomfield. Basic public services are provided in all three, and a separate school district serves each.

EXISTING CONDITIONS

San Juan County, the site of the hypothetical energy development proposed in the Navajo/Farmington scenario is located in the extreme northwestern corner of New Mexico (see Figure 4). Only about six percent of the land in the county is privately owned. . The Navajo and the Ute Mountain Reservations occupy approximately 60 percent of the county; another 4.8 percent is owned by the state and 29.5 percent by the federal government.

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[1] This section of the report is taken from: *First Year Progress Report of a Technology Assessment of Western Energy Resource Development,* U.S. Environmental Protection Agency, Washington D.C. 20460, 1976.

San Juan County's 1974 population was 61,700, 56 percent of which was located in Aztec, Bloomfield, and Farmington. Population density countywide was 11.2 persons per square mile; outside the three cities, it was 4.9.

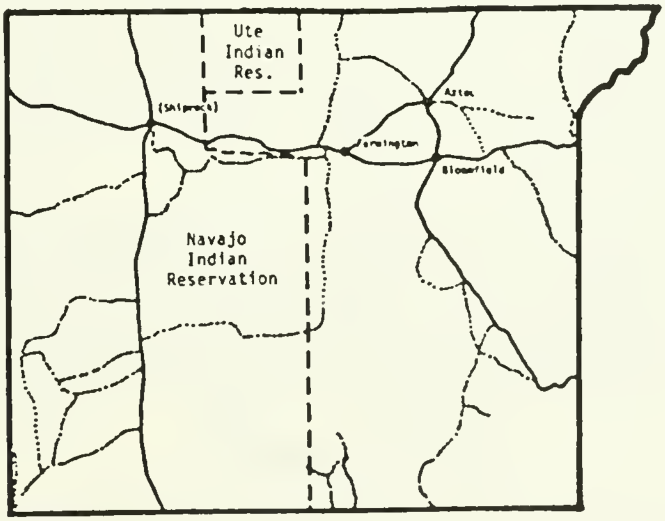
Approximately 35 percent of the 1970 population was Indian, most of whom (96 percent) lived on the Navajo Reservation. Thirteen percent of the population either had Spanish surnames or used Spanish as their primary language. Less than one percent was Black.

Except for a slight decline between 1960 and 1970, the county's population has been increasing over the past 35 years. Population in the three cities has also been increasing.

Shiprock is the only urban concentration on the San Juan County portion of the reservation.[2] It is unincorporated, has no established boundaries, and is governed by the tribal, county, state, and federal governments. Water, sewer, and electrical

Figure 4

DETAIL OF SAN JUAN COUNTY, NEW MEXICO SHOWING ROADS, CITIES, AND INDIAN RESERVATIONS



Source: Ibid.

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[2] There are smaller, unincorporated communities in the Farmington/Shiprock corridor. These include Kirkland, Fruitland, and Waterflow.

services are provided by the Navajo Tribal Utility Authority. Health services are provided by the Public Health Service and the Bureau of Indian Affairs (BIA). Public safety is maintained by the Navajo and State Police forces and the County Sheriff. The BIA and the State of New Mexico construct and maintain the roads.

Farmington, the largest city in the area, is governed by a four-member council. The city is managed by a professional city manager and has a professional planning capability. City services include water, sewers, electricity, police and fire protection, and recreation. There are no social assistance services apart from those provided jointly by the county and state.

According to the City Planning Department, most of the service delivery systems are currently operating at or near capacity. A recently completed status report identifies some $30 million worth of projects that are needed to absorb population impacts. In the view of local officials, the primary need is construction and operating funds, not help in identifying and analyzing problems. County officials hold the same opinion.

The off-reservation incorporated cities, Aztec and Bloomfield, have mayor-council governments and a city manager. Except for electricity, services in both parallel those provided by Farmington.

Concerning the Navajos' ability to absorb and serve the anticipated population increases, the tribe has been increasing its professional staff, particularly its capacity to plan for economic development. The Tribal Council has also developed a number of specialized commissions, such as the environmental and tax commissions mentioned earlier. The reservation economy is still predominantly agricultural.

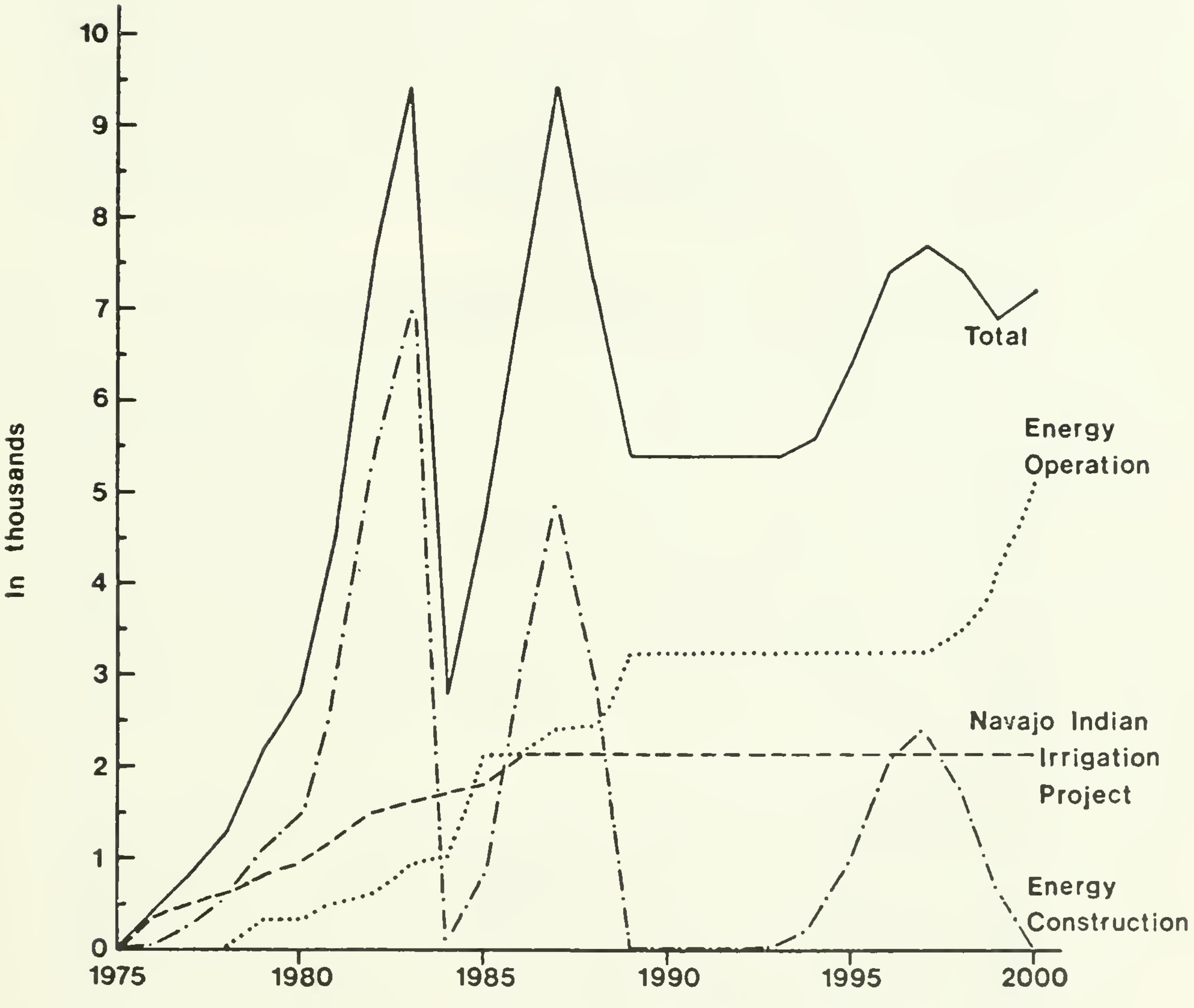
Farmington is the economic service center for northwestern New Mexico -- a major portion of the available professional and supporting services for the various industrial and agricultural activities in the area are located there. However, some supporting services are available in Aztec, Bloomfield, and Shiprock.

POPULATION IMPACTS

Employment data for both energy development and the NIIP are shown graphically in Figure 5. Population increases are expected in both Indian and non-Indian sectors as shown in Figure 6. The Farmington School District had excess classroom capacity in 1974. With expected enrollments, the need for classroom space

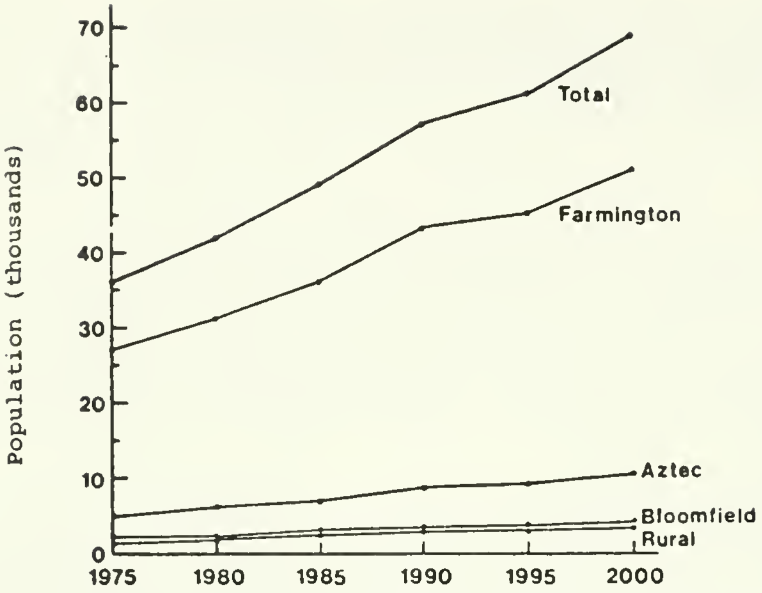
Figure 5

NEW EMPLOYMENT IN SAN JUAN COUNTY, NEW MEXICO FROM ENERGY DEVELOPMENT AND NAVAJO INDIAN IRRIGATION PROJECT, 1975-200

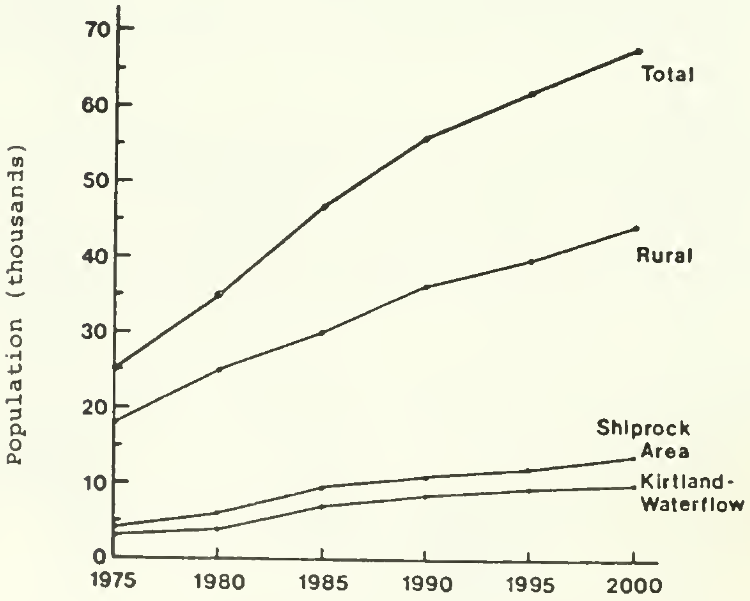


Source: Ibid.

Figure 6



POPULATION ESTIMATES FOR NON-RESERVATION PORTION OF SAN JUAN COUNTY, NEW MEXICO, 1975-2000



POPULATION ESTIMATES FOR NAVAJO RESERVATION PORTION OF SAN JUAN COUNTY, NEW MEXICO, 1975-2000
(No new town assumed)

Source: Ibid.

will be minimal after the 1980's. This is consistent with most larger, growing cities in the United States where school enrollments are falling while overall population is increasing.

In higher education, the San Juan College campus of New Mexico University in Farmington (600 to 700 students) and the Shiprock Branch of Navajo Community College (more than 200 students) will perhaps triple their current enrollments. As employment opportunities become available to more Navajos, vocational training at the Shiprock Branch may increase even more. Training facilities, such as the Navajo Engineering and Construction Authority, train workers in heavy construction trades, and the demand for this training can be expected to increase as more energy development takes place on the reservation.

FISCAL IMPACTS

Public finance aspects of this scenario are complicated by the location of facilities on an Indian reservation. The primary source of new revenue for the Tribal Council will be royalties on coal. Currently, the mines on the reservation are paying a royalty of $0.15 per ton. However, these were negotiated on a fixed-price basis in the early 1960's when coal prices were much lower than they are at present. If new negotiations result in the tribe receiving $0.39 per ton in real royalties, the following annual payments would, in 1975 dollars, result in $2.8 million in 1980, $8.9 million in 1985, $11.7 million in 1990, $11.7 million in 1995, and $16.4 million in 2000.

Except for a few limited items, San Juan County is precluded from levying property taxes on the reservation. Tribal authorities have established the Navajo Tax Commission to study the potential for establishing property taxes. If the total mill levy is 36.28 and the assessment ratio is one-third (the currently prevailing cities in Farmington), some $57 million per year could be collected by the tribe from the four energy facilities.

Off the reservation, local governments will likely rely primarily on residential/commercial property taxes and the sales tax to obtain revenue from the energy developments. The property tax will be relatively more important at the local level.

San Juan County's 1973 tax rolls showed noncorporate valuations of $3,030 per capita (1975 prices).

Applying this factor to the projected increases in non-reservation population and using currently prevailing Farmington mill levies, potential future property tax growth is shown in Table 5.

Table 5

PROJECTED PROPERTY TAX REVENUES
(millions of 1975 dollars)

	1980	1985	1990	1995	2000
Additional Valuations	16.10	38.20	63.90	75.10	98.50
State Tax	0.12	0.28	0.47	0.55	0.72
Local Tax	0.47	1.11	1.85	2.18	2.85

Sales tax revenues depend primarily on aggregate personal income generated in the region by the energy developments. Based on projected income levels and assuming that five-eighths of all expenditures will be off the reservation, state and local tax revenues are estimated as shown in Table 6.

Table 6

PROJECTED SALES TAX REVENUES
(millions of dollars)

	1980	1985	1990	1995	2000
Taxable Sales	21.50	43.70	60.20	73.60	83.80
State Collections (4 percent)	0.86	1.75	2.41	2.95	3.35
Local Collections (2 percent)	0.43	0.87	1.20	1.47	1.68

Based on income projections and current tax rates, personal income tax revenues will be $1.9 million in 1980, $4.2 million in 1985, $6.1 million in 1990, $7.1 million in 1995, and $8.5 million in 2000.

Finally, the state of New Mexico taxes coal, mining, and electrical production directly. "Privilege" and "severance" taxes total 1.25 percent of the gross value of the coal (less some minor deductions). Electricity generation is taxed at a rate of 0.4 mill per kilowatt-hour. Based on scenario assumptions, these taxes should result in the revenues shown in Table 7.

Table 7

PROJECTED TAX SCENARIOS
PRIVILEGE TAX REVENUES

	1980	1985	1990	1995	2000
Coal	0.8	2.9	4.2	4.7	7.3
Electricity	0.0	7.8	7.8	7.8	7.8

The various revenues calculated above can be regrouped by level of government, for comparison with new expenditures, as shown in Table 8.

Table 8

PROJECTED TOTAL REVENUES FROM ALL SOURCES

Location	1980	1985	1990	1995	2000
Reservation	2.8	8.9	11.7	11.7	16.4
County, Municipal	0.9	2.0	3.0	3.6	4.5
State	3.7	16.9	21.0	23.1	27.7
TOTAL: All state and local	7.4	27.8	35.7	38.4	48.6

The simplest comparison to be made involves state government. A realistic assumption is that the state's costs will rise in proportion to population. These costs amounted to $621 per capita in fiscal 1973. Applying a scale-up for inflation to the San Juan County population growth, the following cumulative cost increase is projected for the state: $12.6 million in 1980, $28.8 million in 1985, $43.3 million in 1990, $51.1 million in 1995, and $63.0 million in 2000.

These figures suggest that new state expenditures will be about twice as large as new revenues. However, only a fraction of the county's new people will come from out of state. People who move about within the state will not cause any appreciable change in state government requirements. Altho very difficult to forecast, at least half the new people should come from in-state. If this is the case, the state government will experience very little effect from these developments; the state, and its government, would grow in absolute size about three percent.

The Tribal Council performs most local governmental functions on the reservation.[1] A major exception is the construction of water, sewage, and health facilities which is handled by the Indian Health Service, a division of the U.S. Public Health Service. Using basic data from a recent western planning study[2], capital costs are estimated to be $2,360 per capita for county and municipal governments off the reservation and $337 per capita for the Tribal Utility Authority, etc., on the reservation. The tribe pays for the operation of water and sewage facilities, but not of health facilities. Using New Mexico's average figures for local expenditures, county and municipal governments will need $166 per person per year, and tribal authorities $129, for operating costs.

Combining these data with the projected population increases, additional local governmental expenditures are shown in Table 9.

Table 9

ADDITIONAL LOCAL GOVERNMENTAL EXPENDITURES
FOR ENERGY DEVELOPMENT IN SAN JUAN COUNTY
(millions of dollars)

	1980	1985	1990	1995	2000
Reservation					
Capital[a]	3.4	4.1	3.1	2.0	2.3
Operating	1.3	2.9	4.1	4.8	5.7
Annualized[b]	1.6	3.6	5.1	6.0	7.1
Non-reservation					
Capital[a]	12.5	17.2	20.1	8.7	18.2
Operating	0.9	2.1	3.5	4.1	5.4
Annualized[b]	2.1	4.9	8.2	9.6	12.6

[a] Total for five-year period ending at specified date.

[b] Current operating costs plus capital costs amortized over 20 years at 7 percent interest.

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[1] Morrison-Knudsen Company. *Navajo New Town Feasibility Overview*. Boise, Idaho: Morrison-Knudsen, 1975, p. III-16.

[2] THK Associates. *Impact Analysis and Development Patterns Related to an Oil Shale Industry: Regional Development and Land Use Study*. Denver: THK Associates, 1974, p. 30.

Non-reservation units of local government (county and municipal) face potential deficits. Projected revenues approximately cover new operating expenses, but this leaves nothing for capital projects (for example, new water supply, sewer, and hospital facilities). The deficit, on an amortized basis, widens to $8.1 million per year by the end of the century.

The federal government is more involved fiscally in this scenario than in the others because of the large Indian population. Major federal commitments relieve the tribe of most of the expense of sanitation, health and education. Yet under the "dual entitlement" doctrine, local non-reservation government must provide services to those Indians requesting them.

The increasing importance of Farmington as the center of economic and other activities can be expected to continue. Most of the city's revenue comes from city-operated utilities, including electricity, water, and solid waste treatment operations. The city also benefits from growth outside the city because it provides water to Shiprock and a number of unincorporated towns in the Farmington/Shiprock corridor. Property taxes are its smallest source of revenue. The sales tax and utility revenues will increase as the county's population increases. (Many of the new residents will locate in the Shiprock Farmington corridor.) However, major capital improvements will be needed for adequate development of water and sewage systems. Police and fire protection also need to be improved.

SUMMARY OF SIGNIFICANT SOCIAL AND ECONOMIC IMPACTS

The 1975 population of San Juan County will more than double because of the energy development proposed in the Navajo/Farmington scenario. The largest increases are expected among the Navajo in the reservation portion of the county and will be largely due to the NIIP. The urban areas of the county (such as Farmington, Aztec, Shiprock, and possibly a new town near Burnham) will attract most of the new population. Most of the secondary employment growth will be in Farmington, bringing its population to more than 51,000 by the year 2000. The largest increases in the demand for housing and schools will also be on the Navajo Reservation.

As irrigation improves agricultural employment opportunities and brings higher incomes, the life-style of many Navajos will generally change from a dispersed rural existence to a more settled and affluent one. The current rural distribution results in the highest rural population density in the nation. New provisions for modern housing with plumbing and kitchens will greatly affect the Navajo quality of life, and this is a major impetus for Navajo support of the concept of a new town in the Burnham area.[1]

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[1] Morrison-Knudsen Company. *Navajo New Town Feasibility Overview.* Boise, Idaho: Morrison-Knudsen, 1975.

Public services -- especially health care, water, and sewers -- will be among the greatest needs both on and off the reservation. Coordination between the tribe and non-Indian governments will become important within the country, so that the quality of growth can be controlled. Major differences in government income and expenditures can result from different tribal policies. If the Navajo level of construction activities was more consistent, there would be fewer oscillations in construction worker population. This would ease demands for temporary housing and smooth the development of schools and services. By constructing major facilities, such as the power plant, at a measured pace and scheduling them somewhat consecutively, the magnitude of effects on housing and services would be minimized.

CHAPTER IV

COUNTY GOVERNMENT AND THE IMPACT PROBLEM

General revenues for county government in New Mexico were $74.6 million in 1974-75. Federal sources provided $13.6 million, and state sources were responsible for $16.0 million. County sources of revenue were $44.7 million from the following sources: property taxes, $21.2 million; other taxes, $4.3 million; charges and miscellaneous, $19.3 million; and utility systems, $2.8 million.

New Mexico counties spent $71.4 million in 1974-75 in the following manner: health and hospitals, $19.4 million; highways, $12.0 million; police and fire protection, $6.5 million; interest on debt, $1.2 million; public welfare, $.8 million; utility systems, $2.2 million; and all other, $31.5 million.

Counties receive a moderate 21 percent of revenue from the state government. Major sources include motor vehicle fees, Chapter 85 (special appropriation), and gasoline taxes. The state does not share the gross receipts, income or severance taxes with the counties. Counties may levy a gross receipts tax of up to one-fourth of one percent for indigent hospital patients. Three counties impose such a levy.

Federal revenue sharing provided $10.5 million in 1974-1975, or about 14 percent of total general revenues.

Property taxes cannot be levied without limit as a balancing item to meet the county's perceived needs, given the revenues from state and federal aids and shared revenues, and local fees and charges. The county levies are fixed by the state legislature at a current rate of six mills. However, a county may exceed this rate for debt service and judgements.

A reliance on property taxes is revealed in Table 10, which shows the revenues source in Valencia County. The 1975-76 county budget relies upon property taxes of $912,215 to fund the bulk of the $1,244,015 in general funds. This makes county financing very inflexible since the state government establishes the county millage rate which was not to exceed six mills and the rate is not amenable to much change because of the overall 20 mill limit on levies by all governments.

Table 10

REVENUES FOR VALENCIA COUNTY

Actual 1975-76

GENERAL FUND	
Property Tax	912,215
Oil and Gas Prod. Tax	-0-
Oil and Gas Equip. Tax	-0-
Licenses	13,018
Interest on Investments	3,781
Fees	62,501
Rentals	514
Care of Prisoners	6,013
Gasoline Tax	41,133
Motor Vehicle	53,274
Cigarette Tax 2¢	10,369
State Racing Commission	-0-
Trans. and Ext. of Prisoners	696
Refunds	7,987
Other	2,770
Federal Grants	10,296
State Grants	
Chapter 206	106,470
Other	12,978
TOTAL General Fund Revenues	1,244,015
REVENUE SHARING	
Federal Allotment	469,050
Other	-0-
TOTAL Revenue Sharing	469,050
ROAD FUND	
Motor Vehicle Fees	333,472
Other	4,473
TOTAL Road Fund Revenue	337,945

Source: Local Government Division, Department of Finance and Administration

The state made a special appropriation of $5.00 per capita to counties pro rated to population in unincorporated areas in 1974 and 1975, but not in 1976. This total appropriation was $1.6 million per year. Despite a general fund surplus estimated at $67 million and a reserve contingency fund of $40 million in 1976-77, the state did not appropriate special grants to counties or municipalities.

The flow of revenues derived from the uranium industry from taxes and rents and royalties as estimated by the State Planning Office, brings into focus the revenue problem. From an estimated total revenue of $3,735,000 as shown in Table 11, the cities did not receive any revenue and the counties received $160,000. On the other hand, the state government received an estimated $1,235,000.

DEBT

The county debt limit is four percent of taxable valuations. However, there is no general obligation limit for water and sewer improvements. There was $119.6 million in general obligation bonding capacity which was unused as of June 30, 1975, among all 32 counties. The bonding limit which is equal to four percent of assessed valuations totalled $143.9 million for the state's 32 counties in 1974-75. Thirteen counties had no net bonded debt. Among the remaining counties the indebtedness was high in San Juan, 51 percent; Roosevelt, 80 percent; McKinley, 37 percent: Lincoln, 40 percent; and Bernalillo with 27 percent of the bonded debt being used.

The two counties impacted by mineral production and allied developments, San Juan and McKinley, had unused bonding capacity of $5.1 million and $2.5 million respectively as of June 30, 1975. The capital requirement for San Juan County alone are estimated at $12.5 million for the 5-year period ending in 1980.[1]

The inability of a reliance on current and prospective borrowing by the county to aid Grants/Milan

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[1] *Volume II-A, First Year Progress Report of a Technology Assessment of Western Energy Resource Development,* EPA, 1976, pg. 278

Table 11

APPROXIMATE 1974 REVENUES FROM URANIUM INDUSTRY IN NEW MEXICO

(in thousands of dollars)

	Grand Total	Local				State	Indians
		City	County	School	Total		
A. Property Tax							
1. Equipment, Land and Improvements ($57,489,000 value)	517	-0-	115	306	421	96	-0-
2. Production ($104,693,000 value)	200	-0-	45	118	163	37	-0-
B. Severance	174	-0-	-0-	-0-	-0-	174	-0-
C. Resources Excise	584	-0-	-0-	-0-	-0-	584	-0-
D. Royalties, Rentals, and Bonuses Paid On:							
1. State Land	344	-0-	-0-	-0-	-0-	344	-0-
2. Federal Land--No royalties paid on uranium mining claims on federal public land under 1872 Mining Act							
E. Royalties Paid on Indian Land	344	-0-	-0-	-0-	-0-	-0-	1916
TOTAL	3735	-0-	160	424	584	1235	1916

Source: State Planning Office, 1976

have been cited by the State Planning Office: *"Although Valencia County funds could be used for roads, recreation areas, fire districts, medical services, and soil services, the prospect of a successful bond issue for use mainly in the Grants area appears dim."*[1]

COMMENT

There is obviously little flexibility in county financial administration under the fixed property tax structure imposed by the constitution. Property taxes rise when the taxable valuations increase and not necessarily in response to the public expenditures needed to provide adequate public services.

New Mexico counties in energy development regions will experience accelerating valuations as energy projects are completed. The basic problem is to provide for a rapidly growing population which requires sharply increased public facilities and services for several years before projects are completed and fully on the tax rolls. In other words, the county must attempt to spend tomorrow's dollars today.

In view of the limits on debt and the severe limits on operating mill levies, the county must perforce turn to the state and/or federal governments for grants and loans, or use such devices as prepayment of taxes by industry, if adopted as a legal method.

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[1] State Planning Office, *The Grants Uranium Belt*, August 1976

CHAPTER V

MUNICIPALITIES AND THE IMPACT PROBLEM

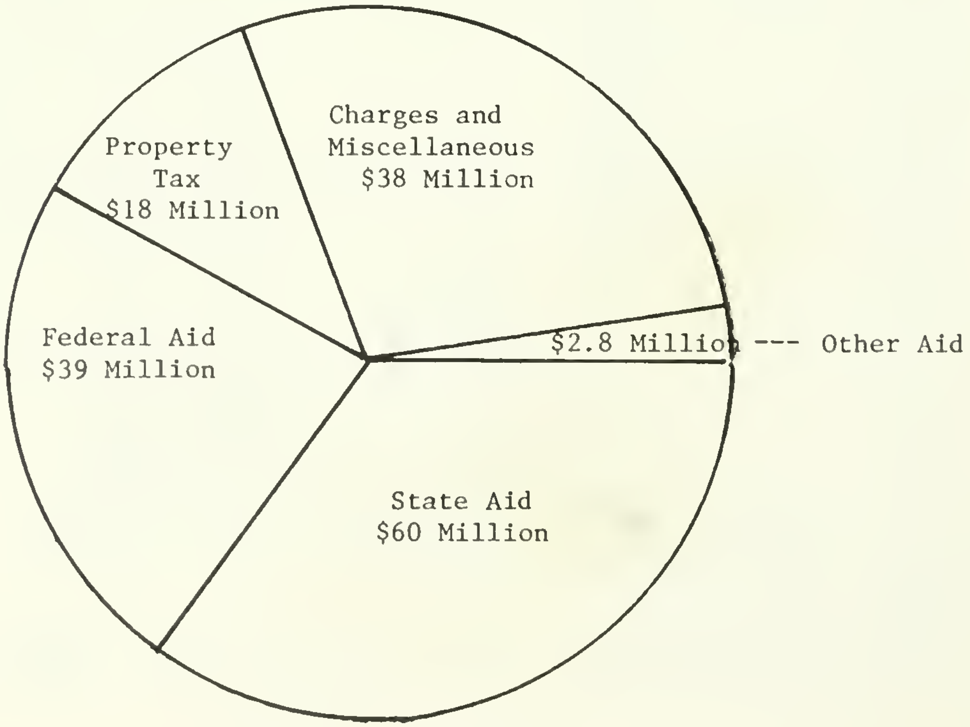
The general revenues of municipalities in New Mexico, as shown in Figure 7, totalled $167.8 million in the fiscal year 1974-75. The bulk of the municipal revenue, namely $102.2 million, was from intergovernmental revenue, of which the state provided $59.7 million, and the federal government provided $39.0 million. General revenues from municipal sources was $65.5 million from the following sources of revenue: property taxes, $18.0 million; other taxes, $9.9 million; charges and miscellaneous revenues, $48.5 million.

Direct general expenditures of municipalities were $162.4 million in 1974-75. In broad terms, the expenditures were for police and fire protection, $38.8 million; streets and roads, $17.5 million; interest on general debt, $7.9 million; health and hospitals, $1 million; and all other, $98.3 million.

Total debt outstanding at the close of fiscal 1974-75 was $346.8 million, of which $340.1 million was long-term debt.

Figure 7

NEW MEXICO MUNICIPAL GOVERNMENT REVENUES
1974-75



Source: Bureau of the Census

The nature of the long-term debt was general obligation, $208.9 million, and non-guaranteed debt, $131.3 million.

Municipalities have been authorized to levy a one-fourth of a percent sales tax by ordinance and one-fourth of a percent by vote. Forty-five cities have approved the former levy, but only four cities have approved the extra one-fourth percent by election.

A special state appropriation of $3.4 million was enacted in 1974-75 to provide aid equal to $5.00 per capita. In 1975-76, the state doubled the aid to $7 million and increased the aid to an amount equal to what a mill levy of 2.5 mills would yield on taxable property. Both types of aid were dropped for 1976-77.

GRANTS, NEW MEXICO

A review of the finances of the City of Grants which is in the center of rapid mineral development will help bring into focus the problems of an impacted city. Municipal revenues for Grants are shown for 1973-74 in Table 12. The lack of flexibility in the budget is immediately apparent. This stems from the fixed-rate property levy which is set by the state at 2.225 mills under the constitutional 20-mill limit on aggregate levies for school, county, state and municipal purposes. The fixed-rate tax structure has resulted, perforce, in a reliance on revenue sources over which the city has no control, such as its share of state gasoline taxes, gross receipts taxes and federal revenue sharing funds. The system requires the city's spending pattern to fit a limited, inflexible revenue cloth.

DEBT AND CAPITAL IMPROVEMENTS

Grants is permitted a bonded debt equal to four percent of taxable valuations under the constitution. In December, 1976, the city's bonded debt capacity was $355,000 of which $338,000 was unused. Sewer and water projects are not included under the general debt limit. Despite its low general obligation debt, the city levy for debt service was 21.555 mills in 1975-76, mainly for sewer, water and special purposes debt.

The capital improvements as reflected in Appendix Table A-2 which are projected for the Grants/Milan area measured against taxable valuations, indicates a shortfall in fiscal capacity to meet needs. These needs, which total over $4 million for 1981 under the high estimate, cannot be satisfied under the unused debt capacity of only $410,000 in Grants/Milan.

Table 12

MUNICIPAL REVENUES FOR GRANTS, N.M.

GENERAL FUND	1973-1974
Property Taxes	$ 20,606
Gasoline Tax	109,328
Gross Receipts Tax	335,070
Franchise Tax	32,850
Cigarette Tax	17,544
Occupation Licenses	25,254
Liquor Licenses	6,825
Police Fines and Fees	36,559
Auto Licenses	34,846
Building Permits	2,402
Other Licenses, Tax & Fees	21,842
Parking	-0-
Revenue Sharing	107,132
Chapter 85, 1974 Laws	-0-
Sub Total	$ 750,258
SERVICES	
Airport	-0-
Sanitation	-0-
Trsf. Fr. Other Funds	65,657
Miscellaneous	107,902
Sub Total	$ 173,559
CASH BALANCE	$ 159
TRANSFER TO OTHER FUNDS	$ (38,578)
FIRE FUND	$ 15,390
RECREATION FUND	$ 46,579
STREET IMPROVEMENT FUND	$ -0-
OTHER ACTIVITIES	$ 137,059
	$
UTILITIES	
Water	$ 427,386*
Electric	-0-
Gas	-0-
Sewer	-0-
Cash Balance	2,287
Total Utilities	$ 429,673
DEBT SERVICE	$ 349,647
TOTAL REVENUES	$1,863,746

Source: Department of Finance and Administration

The issue of the inability of Grants/Milan to finance needs has been commented upon by the State Planning Office thusly:

> *According to Grants Mayor E. M. Wells, Grants has a $500,000 water and sewer revenue bonding capacity as estimated in the fall of 1975.*
>
> *Thus, the local funds that might be available would be $280,000 in general obligation bonds for Grants, $65,000 in obligation bonds for Milan, and $500,000 in revenue bonds for Grants. Any further revenue bond capacity would require study by a bond consultant. General obligation bonding capacity also should increase with growth.*
>
> *Grants/Milan could raise about $845,000 through bonds if the existing citizens are willing to pay higher taxes. This compared to the estimated capital outlay required in two years indicates a deficit of $2,222,512 to $7,030,519. If we assume the communities to be competitive for state and federal water, sewer, and recreation grants, capital outlay could be further reduced to $746,605 to $3,319,650. Other federal grant money might be available from the Economic Development Administration, Farmers Home Administration or the Four Corners Regional Commission. In any case, it appears unlikely that Grants/Milan will be able to entirely support the uranium impact either by bonding or by competition for grant funds. This leaves the state as the next potential source of funding available to the communities through taxation of the uranium industry.*

COMMENT

The problems associated with financing accelerated growth in New Mexico's municipalities, which are impacted by energy development, are similar to those encountered in other western mineral-developing states. Taxable valuations from these developments are seldom captured by the city or town. Mobile homes in which many newcomers reside do not enhance the tax base commensurate with the increase in public services. Mill levies are inflexible due to the state statutes and constitution, and debt limits impede borrowing. Furthermore, state revenues from mineral production and related developments are channelled into trust funds, state general funds and educational programs rather than into increased aid to local governments.

The cities and county governments tend to be the dark continents of public finance. Avenues of tax revenues such as income taxes, severance taxes and gross receipts taxes are not suitable for local taxation. The strains of a straight-jacket system of finance are not as apparent when growth is gradual. Rapid growth quickly exposes the weaknesses of revenue structures which have little adaptability built into them.

State and federal revenue systems are productive and flexible. Communities which are confronted with the pressures brought on by accelerated energy development must turn to these higher levels of government for support. Measures to bridge the mismatch of revenues and expenditure demands in municipalities are recommended in Chapter VII.

CHAPTER VI

PUBLIC SCHOOL FINANCES

The total financial resources in the state for public schools in fiscal 1974-75 were state, $202.4 million, or 58.3%; local, $97.3 million, or 28.0%; and federal, $47.5 million, or 13.7%. The details of the source of the total financial support of $347.3 million is shown on Figure 8.

The state public school fund provided $199.4 million in 1974-75. The revenues for the fund are derived from a general fund appropriation, $129.0 million; federal mineral lease monies, $19.1 million; federal revenue sharing, $13.2 million; and the current school fund, $38.1 million. The current school fund derives revenues from earnings on invested permanent school trust funds, $27 million, and land income, $8.4 million, as well as a half a mill property levy, $1.7 million.

Other federal monies for operating school funds totalled $21.3 million, of which PL 81-874 furnished $15.3 million for impacts in defense areas. The remainder of the revenues for the operation fund, which totalled $265.8 million, came from local revenue sources.

Local revenue for operational purposes came from the following sources: ad valorem taxes, $36.7 million; earnings on investments, $3.0 million; and miscellaneous revenues, $1.5 million.

Other funds, including general building, totalled $81.5 million in 1974-75. The principal sources of revenue were tax levies, $19.2 million; sales of general obligation bonds, $33.2 million; and various federal funds, $25.4 million.

The public schools in New Mexico are heavily dependent upon state funding. The state contribution to the school operating funds was 76 percent in fiscal 1974-75, and for all funds, including capital funds, the portion was state, 58 percent; local, 28 percent, and federal, 14 percent. There has been an active program to reduce the number of school districts in the state. The number of districts has declined from 405 in 1952-53, to 88 in 1975-76.

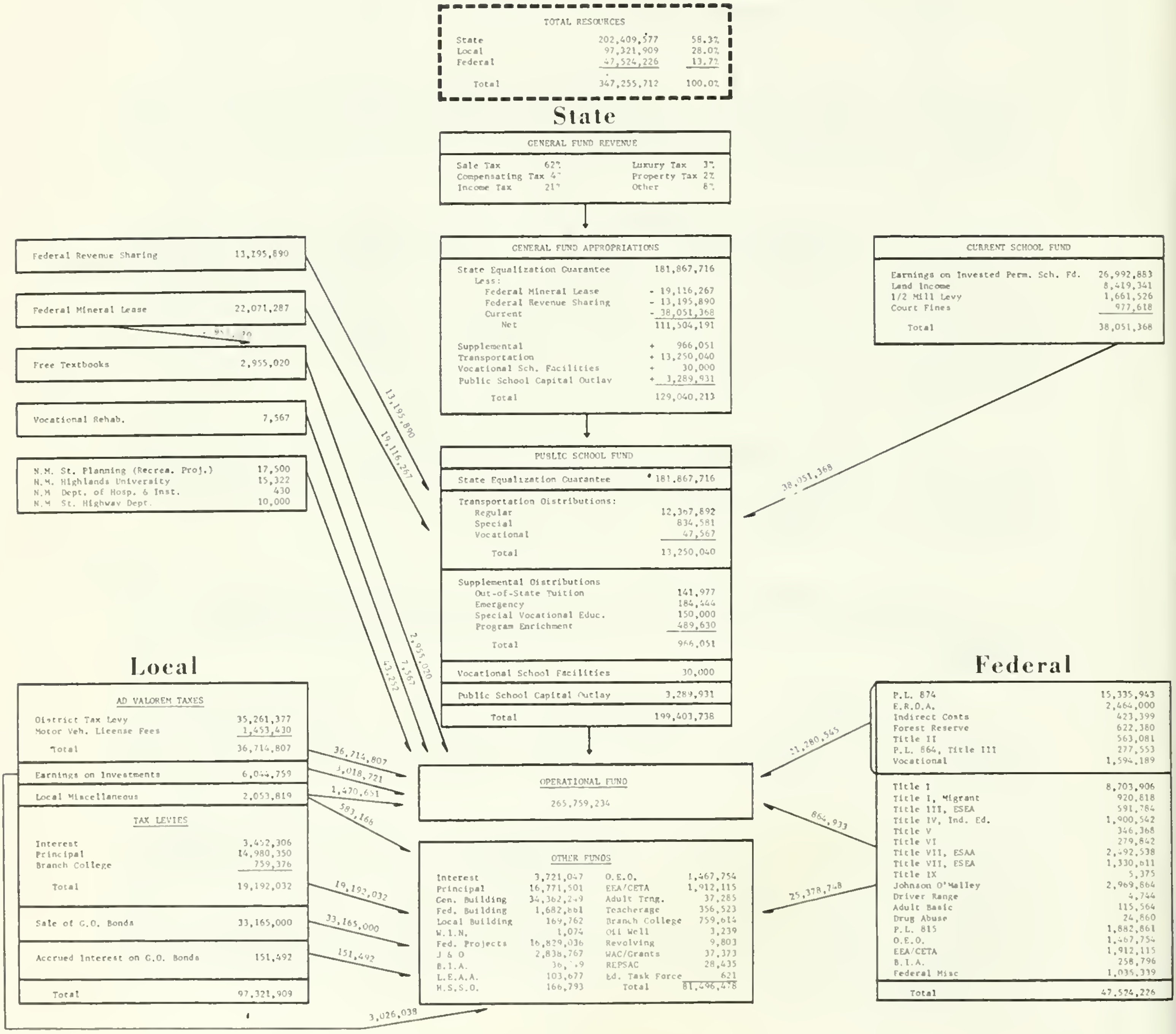
DEBT

Total school debt was $89.7 million at year-end 1974-75. This was all long-term general obligation indebtedness. The constitutional debt limit is six percent of the prior year assessed valuation. Bonded debt may exceed this general obligation limit if special revenues (e.g., severance or cigarette taxes) are dedicated to amortize the debt.

Figure 8

Flow Chart of New Mexico Public School Resources

1974-1975



TOTAL RESOURCES		
State	202,409,577	58.3%
Local	97,321,909	28.0%
Federal	47,524,226	13.7%
Total	347,255,712	100.0%

State

GENERAL FUND REVENUE			
Sale Tax	62%	Luxury Tax	3%
Compensating Tax	4%	Property Tax	2%
Income Tax	21%	Other	8%

GENERAL FUND APPROPRIATIONS	
State Equalization Guarantee	181,867,716
Less:	
Federal Mineral Lease	- 19,116,267
Federal Revenue Sharing	- 13,195,890
Current	- 38,051,368
Net	111,504,191
Supplemental	+ 966,051
Transportation	+ 13,250,040
Vocational Sch. Facilities	+ 30,000
Public School Capital Outlay	+ 3,289,931
Total	129,040,213

PUBLIC SCHOOL FUND	
State Equalization Guarantee	181,867,716
Transportation Distributions:	
Regular	12,367,892
Special	834,581
Vocational	47,567
Total	13,250,040
Supplemental Distributions	
Out-of-State Tuition	141,977
Emergency	184,444
Special Vocational Educ.	150,000
Program Enrichment	489,630
Total	966,051
Vocational School Facilities	30,000
Public School Capital Outlay	3,289,931
Total	199,403,738

CURRENT SCHOOL FUND	
Earnings on Invested Perm. Sch. Fd.	26,992,883
Land Income	8,419,341
1/2 Mill Levy	1,661,526
Court Fines	977,618
Total	38,051,368

Federal Revenue Sharing	13,195,890
Federal Mineral Lease	22,071,287
Free Textbooks	2,955,020
Vocational Rehab.	7,567
N.M. St. Planning (Recrea. Proj.)	17,500
N.M. Highlands University	15,322
N.M Dept. of Hosp. & Inst.	430
N.M St. Highway Dept.	10,000

Local

AD VALOREM TAXES	
District Tax Levy	35,261,377
Motor Veh. License Fees	1,453,430
Total	36,714,807
Earnings on Investments	6,044,759
Local Miscellaneous	2,053,819
TAX LEVIES	
Interest	3,452,306
Principal	14,980,350
Branch College	759,376
Total	19,192,032
Sale of G.O. Bonds	33,165,000
Accrued Interest on G.O. Bonds	151,492
Total	97,321,909

OPERATIONAL FUND
265,759,234

OTHER FUNDS			
Interest	3,721,047	O.E.O.	1,467,754
Principal	16,771,501	EEA/CETA	1,912,115
Gen. Building	34,362,249	Adult Trng.	37,285
Fed. Building	1,682,661	Teacherage	356,523
Local Building	169,762	Branch College	759,614
W.I.N.	1,074	Oil Well	3,239
Fed. Projects	16,829,036	Revolving	9,803
J & O	2,838,767	WAC/Grants	37,373
B.I.A.	36,[illegible]9	REPSAC	28,435
L.E.A.A.	103,677	Ed. Task Force	621
H.S.S.O.	166,793	Total	81,496,478

Federal

P.L. 874	15,335,943
E.R.D.A.	2,464,000
Indirect Costs	423,399
Forest Reserve	622,380
Title II	563,081
P.L. 864, Title III	277,553
Vocational	1,594,189
Title I	8,703,906
Title I, Migrant	920,818
Title III, ESEA	591,784
Title IV, Ind. Ed.	1,900,542
Title V	346,368
Title VI	279,842
Title VII, ESAA	2,492,538
Title VII, ESEA	1,330,611
Title IX	5,375
Johnson O'Malley	2,969,864
Driver Range	4,744
Adult Basic	115,564
Drug Abuse	24,860
P.L. 815	1,882,861
O.E.O.	1,467,754
EEA/CETA	1,912,115
B.I.A.	258,796
Federal Misc	1,035,339
Total	47,524,226

Source: New Mexico Department of Education

EQUALIZATION

New Mexico's school equalization program which is financed as shown in Chart 2,provides an adequate school operating expenditure for each pupil in public school. The formula for distribution which is described briefly in Appendix Tables A-3 and A-4, show that various factors are given weight in deriving a district's eligible aid. These factors include school size, experience and education of teachers, and the ratio of high school to elementary pupils.

A state established millage levy, which is currently 8.925 mills, results in little latitude for a district to enrich its own school program. In large measure, the state may be considered to be one large school district.

CAPITAL FACILITIES

The state school equalization formula provides the necessary assistance to school districts operating programs. However, a comprehensive program of state assistance for capital improvements has not been made available. The current state assistance for school building and equipment is directed toward the schools which have a low assessed valuation per pupil.

A school district may receive state capital assistance to the extent of $70 per average daily membership less what is raised by a two mill levy. The current appropriation is $5.2 million a year for the program. An emergency fund of $2½ million a year is also available to assist the poorer school districts on a case by case basis.

These facility assistance programs are not designed to provide aid to rapidly-growing impacted communities. School districts in areas impacted by rapid growth must rely upon bonded indebtedness to build additional facilities. A report by the State Planning Office has calculated that the cumulative construction needs in the uranium belt at a low of $3.8 million to a high of $38.0 million by 1981, as shown in Appendix Table A-2. These needs stand in stark contrast to the current unused bonded debt capacity of $229,400 for school district No. 3 which will incur the lion's share of the impacts from growth.[1]

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[1] State Planning Office, *The Grants Uranium Belt,* page 36, August, 1976.

In short, the constitutional limit of six percent of the assessed valuation of taxable property coupled with the fact that because of location, energy developments usually are not subject to taxation in urban school districts, makes it extremely difficult to provide adequate facilities. A state program of assistance to impacted school districts appears to be required to ameliorate the situation.

COMMENT

The New Mexico school aid program is based upon a model distribution formula. This model emanated from a massive study of funding formulas sponsored by the U.S. Office of Education in 1968.

School districts in the state receive an adequate amount of revenue to educate each pupil despite variations in assessed valuations. Non-property tax and property tax revenues received by the district are deducted to the extent of 95 percent of receipts in arriving at state school aid. Therefore, an increase in valuation from a large energy development will reduce the amount the state must provide, but will only slightly increase the ability of a district to raise its operating expenditures per pupil.

Nevertheless, the school district would have a large tax base for incurring indebtedness and hence improving or building capital facilities. The school district impact problem is centered, therefore, on providing new or remodeled school facilities. A procedure for accomplishing this will be taken up in the recommendation Chapter of this report. Needless to say, the deduction of state-collected revenues from energy developments or otherwise could be used to amortize school revenue-bond indebtedness under the special funds doctrine in New Mexico.[1]

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[1] See *New Mexico Property Taxes and the 20 Mil Limitation,* Legislative Council Service, Santa Fe, New Mexico, Part D, pg. 41-60, 1973.

CHAPTER VII

FINANCIAL STRATEGIES TO ALLEVIATE SOCIOECONOMIC IMPACTS IN NEW MEXICO[1]

There are many varied approaches to alleviate socioeconomic impacts in communities in New Mexico. The recommendations which are made in this chapter present alternative methods of financing community impacts. It is suggested that the best combination of fiscal strategies be adopted.

In designing a program to mitigate the impacts of accelerated growth, it is necessary that the historically acceptable tax and distribution of revenue systems be recognized. It would be a mistake, however, to follow past practices, if they are not responsive to emerging problems.

There is no simple solution to the complex problem of alleviating community impacts. Indeed, the financial side of the problem is only one element to be considered, albeit a very important one. The aspects of state and local planning and non-financial responses are set forth in other WGREPO reports.

The magnitude of the additional public facility needs, which are presented in Chapter I based on an analysis by the New Mexico Energy Impact Task Force, indicate civic improvement requirements in the $200 million range over the next ten years. These estimates appear to be somewhat high in relation to other studies cited in this report. In any event, the substantial amount of funds projected as needed must be tempered by the amount of federal assistance which may be available. For example, ongoing federal assistance programs, as cited in the WGREPO report, *Western Boomtowns: Part I: A Comparative Analysis for State Actions*, as well as a forthcoming analysis of federal programs, indicates that the program aids for prospective impacts will be substantially less than the full $200 million estimated for civic projects in New Mexico. The amount of federal assistance is impossible to determine before the assistance applications are made for specific projects.

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[1] The reader is referred to the addendum to Chapter II for new legislation enacted by the 1977 legislature affecting impacted communities and taxation of minerals.

In addition to the customary federal programs, there is new legislation which has been adopted by the 94th Congress and signed into law. Public Laws 94-377 and 94-579 amend the distribution formula of mineral lease royalty monies to provide that fifty percent of the total revenue collected will be returned to the state of origin and that the state and local governments may borrow up to ten years of prospective revenues at an interest rate of not-to-exceed three percent. New Mexico's annual revenues will increase to an estimated $54.7 million in 1979 from the $25.6 million which the state's share of federal mineral lease money will be in 1976. PL 94-565 increases payments in lieu of taxes to New Mexico and other states to 75¢ per acre less mineral lease rents, royalties, grazing act and similar payments or 10¢ per acre with a limit determined by a per capita amount times the population. New Mexico will receive an estimated $10 million a year, which will flow almost totally to the county governments.

The state has not, as yet, adopted a program to alleviate community impacts. There are several far-reaching changes in the tax structure, revenue distribution, and borrowing-lending programs under consideration by legislative committees, as well as the Energy Resources Board. A modest state aid program for counties and municipalities was not renewed in 1976. State aid to schools is extensive and, in large part, resolves the impact problem insofar as school operating expenditures are concerned. School capital facility needs to present a problem because of the minimal amount of state aid for capital outlays. Therefore, the capital program is largely a local school responsibility.

The constitutional millage limitations and indebtedness limits pertaining to counties and municipalities are severe constraints on the use of the property tax to alleviate costs due to rapid growth. Municipalities do not benefit from rising mineral and related energy development taxable valuations because the locations of these activities are outside the town limits. The workers reside in town; the taxable valuations of industry are in the rural areas.

County governments generally benefit by the increase in taxable valuations. However, some counties are in a position similar to most of the municipalities. That is, the workers use the county only as a bedroom community. Even when a county benefits from the new mining industrial valuations, the county budget is constrained by millage limits set by the state under the constitutional 20-mill restriction.

Aside from the inflexible property tax, neither the counties nor the municipalities have access to major additional taxes. Local income taxes are not permitted by state law. A municipality may enact by ordinance a sales tax of one-fourth of a percent and an additional one-fourth percent by vote of the people. Forty-five cities have enacted the tax by ordinance. On six occasions, the voters in those cities were asked to enact the additional one-fourth percent tax. In only two cities did the measure receive approval.

Local governments have turned to user fees and charges for sewer, water, and utilities for additional revenues. The charges for these services are defensible under a benefits theory of finance. Nevertheless, when the service charges exceed the cost of the services as a means to bolster the general fund moneys for the general operation of the local governments, they may be criticized as regressive and as an inferior technique for sharing governmental costs. A general expenditure should be financed by a general revenue.

STATE GOVERNMENT STRATEGIES

Findings

New Mexico communities in areas of substantial uranium and coal deposits are experiencing accelerated growth which is of boom proportions. Counties and municipalities have had and will continue to have demands placed upon their capital and operating budgets in excess of their financial capabilities. The counties affected usually will experience sizable increases in taxable property valuations which will provide additional revenues after completion of energy developments. Municipalities will have slow increases in taxable valuations as homes are built and commercial enterprises expand. School districts will have taxable valuations increased to the extent the energy activity is located in the district. The School Foundation Aid Program will adequately finance school operating expenses. Additional capital facilities for schools will be difficult to finance locally because of the delay in increased taxable valuations and their bonded debt limits.

Severance and resource excise taxes on coal and uranium are low, compared to the taxes on minerals imposed in other energy western states. The tax base of uranium is reduced sharply by deductions allowed by statute and the fifty percent reduction in sales price or price computations.

The tax revenues of the severance taxes are channelled into a severance tax permanent trust fund after servicing of severance tax bonded debt. Resource excise taxes are allocated to the state general fund. State land rents and royalties are invested in state trust funds, principally the common school fund. Trust funds now aggregate more than $600 million.

The state will receive an additional twelve and a half percent of federal royalties on mineral production to be used as the state legislature may direct, with priority given to communities impacted by energy development.[1] At present, the increase will be $9 million to $13 million a year. These revenues and the present thirty-seven and a half percent of royalties may be advanced by the federal government as loans against future collections. The loans are based upon the total future ten-year collections with up to three percent interest.

A new federal payment in lieu of real estate taxes has been enacted (PL 94-565). The revenues to New Mexico are estimated to equal $10 million a year. Almost all of the revenues will flow to county governments for general purposes. A deduction of mineral royalties and like federal receipts from the 75¢ per acre payment is required by the Act. An alternative based on 10¢ per acre without a deduction of federal lease payments is provided in the act. In both cases, a per capita limit is imposed, depending on population size.

Alternative Strategies

Several sources of state revenues for use by municipalities, counties, and schools and the strategies for use are:

(1) The increase of $10 million or so a year in the state's share in federal mineral lease monies could be distributed to impacted municipalities and counties for general purposes, capital outlays, or servicing loans.

(2) The severance tax permanent fund, which now has over $100 million in investable funds, could be loaned or granted to impacted areas, municipalities, and schools to the extent required.

The severance tax permanent fund loans could be serviced from local tax sources, their shares of an increase in coal and uranium tax revenues, or mineral lease revenues.

(3) The state could provide immediate help to municipalities and counties for capital outlays and/or operation-

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[1] The legislature has not changed the allocation of federal mineral lease revenues which are deposited into the public school fund. Allocation to areas affected by developments on federal land would help oil and gas areas which do not require assistance and not help uranium areas because the lands are not leasable.

al needs from the state general fund surplus estimated at $67 million for FY 1976-77.

(4) Local property taxes may be increased by a state action to relinquish its property tax levy (currently about $14 million) to local governments.

(5) Increased resource excise taxes on minerals could be placed in a state-administered impact assistance fund.

(6) A Community Development Authority may be created as a vehicle to make loans to communities at low rates of interest.

Recommended Strategy

The tax base for minerals should not be eroded by allowing substantial deductions. The base may be defined as the gross production value used for computing federal depletion allowances. Value added by mining activity is a legitimate inclusion in the taxable base, as pointed out in a WGREPO report, *Taxation of Coal Mining: A Review with Recommendations.*

Tax rates should be increased on coal and uranium production, and a substantial amount of the new revenues should be distributed to impacted communities for current expenditures and for service of debt which may be incurred in building facilities.

A substantial amount of present and future state mineral revenues should be used for public facilities in impacted communities and in other New Mexico communities, rather than to such a large extent for trust funds and state general funds.

The emphasis on building huge trust funds (that is, stock of future wealth) should be balanced with current public service requirements. Adequate future personal income levels and wealth require orderly, strong economic growth. This growth in commerce and industry will take place if attractive communities with modern, efficient facilities and well supported public services are directed into financing the services which modern industries demand.

A state impact assistance fund should be created from the severance tax trust funds, resource excise taxes, and state-shared federal mineral lease receipts. The funds should be either granted or loaned, depending upon the foreseen ability of the local units to repay loans.

The state should eliminate the state property tax and allocate its millage rates to municipal and county governments.

COUNTY GOVERNMENT STRATEGIES

Findings

Case studies indicate a deficiency of county revenues when measured against projected expenditure requirements. Unused debt capacity is far short of the need for borrowed funds to construct the civic facilities required for an adequate standard of public service.

New Mexico's county governments are restricted to a six mill property tax levy for operating purposes. There is not much flexibility to increase this levy because of the overall constitutional limitation of twenty mills for all units of government. The constitutional limitation of four percent of assessed valuation for indebtedness further restricts county financing.

Revenues from state sources of assistance have not been very abundant. A general aid program in 1975, under which the state provided $1.6 million to counties, has been discontinued, despite sizable state cash surpluses.

A county does not receive the full tax benefits from an energy development until the project is completed and on the tax roll. Bedroom counties do not receive property tax benefits, even after developments are completed, because the projects are not located within their boundaries.

The state does not share severance taxes, resource excise taxes, and state land rents and royalties with county governments. These energy-related taxes are allocated for state or school purposes.

Under federal law, state-shared mineral lease revenues may have been used for county road purposes during past years. In fact, they have been earmarked by the state legislature exclusively for local school purposes.

New Mexico counties will receive an annual payment in-lieu-of-taxes from federal lands under recently enacted PL 94-565. These payments are estimated at $10 million a year, an amount equal to about one-half of county property taxes.

Alternative Strategies

There are several approaches which county governments may use to resolve the revenue shortfall in order to finance needed city facilities and public services. The alternatives to relieve county fiscal pressures include the following:

(1) The state government could relinquish a portion of its property tax levy under the twenty mill constitutional limit for use by county governments.

(2) A constitutional amendment could be proposed to remove the twenty mill limitation.

(3) A portion of the resource excise taxes could be shared by the state with county governments.

(4) The state severance tax permanent fund could be used as a source of county government loanable funds with the state severance taxes as well as local funds used to amortize the debt.

(5) A state impact fund could be created and dedicated, in part, to the alleviation of impacts on county governments.

(6) A portion of energy development taxes, which are not dedicated by the state constitution, could be allocated to counties by formula based upon the residences of energy development workers.

(7) State-shared mineral lease money could be allocated, in part, to impacted county governments.

(8) County sales and/or income taxes could be authorized by state statute.

Recommended Strategy

The most feasible package of strategies for alleviation of adverse impacts on county government involve state government actions. A state community impact fund should be created with grants being made to counties by the appropriate administrative agency. Grants should be used as an instrument to alleviate fiscal pressures, especially in those counties not receiving increases in property taxes from energy development. The source of the state impact fund could be from state cash surpluses, the increase in federal lease monies, and increases in resource excise taxes.

State severance tax permanent funds should be allocated for use in making loans on favorable terms to county governments with a deferral of payment deemed necessary due to a slow increase in the property tax roll.

The state legislature should authorize the imposition of county gross receipts taxes for general purposes and repayment of debts. A constitutional amendment should be proposed to eliminate the overall 20 mill limitation on property taxes for all governments.

MUNICIPAL FINANCIAL STRATEGIES

Findings

Towns and cities are the place of residence of most workers and their families; therefore, the pressures for adequate streets, sewers, water supply, police and fire protection, public recreation, etc. are most pronounced in municipalities. State government and the constitution have been factors in municipal finances as a result of both state aid funds as well as restrictions placed upon local revenue devices.

Municipalities are in the most disadvantaged position to withstand the increased demands for public facilities and services. The reasons are many. The property tax base is not enhanced by energy development, since the developments are located in the unincorporated areas of a county. The state, operating under a provision which limits property tax levies to 20 mills for all governments, has allocated only 2.225 mills for municipal purposes in recent years. Municipalities may levy one-fourth percent sales tax without a vote and an additional one-fourth sales tax with a favorable vote of the electorate. The additional one-fourth percent has not been popular with the voters, as yet.

A general obligation debt limit of four percent of assessed valuation is set by the state constitution. The debt limit is made more flexible due to not including sewer and water projects under the debt limitation. The Grants, New Mexico situation cited in Chapter V indicates that the feasible increase in general obligation in revenue bond debt falls short of community requirements; taxpayers are resisting the financial demands placed upon them as a result of energy development and population growth. This resistance extends to user fees to fund revenue bond issues as well as property levies.

Alternative Strategies

The program of alleviation involves the adoption of state government strategies. Several revenue sources for both operating and capital loans could be made available by the state. In addition, the state will receive about $10 million more a year in federal mineral lease revenues, and, under federal law, these funds are to be spent for assistance to communities impacted by mineral development. These funds may be spent as directed by the state legislature. Furthermore, the 37½ percent of mineral lease monies, which has been historically received by the state, is also to be appropriated as directed by the legislature.

State government could increase distributions from state general revenues or allocate a portion of its property tax levy, which now aggregates $14 million a year, to municipalities. Resource excise tax revenues could be distributed, in part, to cities and towns by formula or through a state impact office. Loan funds could be made available from the state severance tax permanent funds on favorable terms. Among the source of revenue available for repayment of the loans are increased sales taxes in those communities which have not levied to the full one-half percent permitted by law.

Recommended Strategy

There is no panacea for improving the fiscal posture of municipalities. Actions along several fronts appear to be the most advantageous route.

The increased revenues from federal mineral lease sources should be placed by the state in an impact fund and expended to a large extent for municipal impact problems. Loans should be made available from the severance tax permanent fund under favorable terms, including deferred payments when deemed necessary. Municipalities should be encouraged to levy a tax up to the full one-half percent allowed by law in order to underwrite activities and repay debt.

State property taxes should be eliminated, and the municipalities, as well as counties, should be allowed to share in the increased mill levies made available by this action.

SCHOOL DISTRICTS

Findings

New Mexico's school aid program was fashioned after a 1968 national study undertaken to recommend a model school aid formula for the nation's schools. In effect, New Mexico is one large school district insofar as operating programs are concerned. Ninety-five percent of any revenues received by a local district, including the property tax, is deducted from the basic state program based on per pupil expenditures. Enrichment of school operating programs is precluded, in large part, by a mill levy limitation imposed by the state under the 20 mill overall limitation on state and local governments.

A large taxable base does assist a district in financing new and additional school facilities. However, the general obligation debt limit is 6 percent of assessed valuation. A device for exceeding the limit is the dedication of special revenues to debt service. While not oftentimes used, this special fund financing is not restricted by debt limits. In any event, the state does not have a well financed program to assist school districts in making capital expenditures.

Alternative Strategies

There is no need to develop a financial support program for school operating purposes to alleviate adverse impacts in areas of rapid growth due to energy development. State school assistance currently provides an equalized school program throughout the state.

A need exists to provide assistance to some districts experiencing accelerated growth in order to provide adequate buildings and equipment. In a district where energy development assessed valuations are included on a tax roll, the need for new or additional facilities may occur before the new taxable valuations are fully added to the tax roll. Therefore, the new, large additions to taxable property lag behind the need for a tax base to support capital facilities usually financed by borrowings. In this case, a state loan program may be called for. The state severance tax permanent fund could provide the source of loanable funds.

The loan program strategy is less useful to some districts experiencing enrollment increases as a result of nearby energy developments. These school districts do not have their assessed valuations increased directly because of the new projects. The districts are called upon to educate pupils who are the children of energy workers residing in their districts. Such school districts will require state capital assistance grants, as well as loans. A state community impact fund is a logical source of this type of assistance.

Recommended Strategy

The state should focus its school assistance strategy for the alleviation of adverse impacts stemming from energy developments on a capital assistance program. The state program should have basically two facets. First, a capital assistance loan program should be instituted with the state making loans from the severance tax permanent funds. The loans should be made to the districts which are impacted by energy development, regardless of whether the new projects are located within the district borders or not. Second, the state should authorize a grant program for financing new buildings and equipment in some districts. This program would be designed, in large part, for the school districts which will not enjoy increased assessed valuations from the new economic activity.

Table A-1

PROJECTED FACILITY REQUIREMENTS

For the Region from the Various Planning Bodies in Northwest New Mexico[a]
(thousands of dollars)

	McKinley County	San Juan County	West Valencia County	Sandoval County	Total Northwest Quadrant
Water	4,185	18,072	7,653	8,224	30,315
Sewage, waterwaste	2,570	5,141	7,138	75	23,073
Solid waste	300	250			625
Health and social services	1,215	5,650			6,865
Transportation	22,350	4,269	4,050	981	31,650
Fire Protection	710	550	92	50	1,402
Public Safety	720	5,000			11,720
Recreation	2,230	4,509	844	263	7,846
Other (municipal bldgs)		4,841	333	425	5,599
SUBTOTAL					119,095
U.S. Highways and State Highways					85,160[b]
Education					40,000[c]
TOTALS	40,280	48,282	20,110	10,423	
				GRAND TOTAL	244,255

[a] These figures are approximate and only include projections for the next 2 to 5 years. All figures are thousands of dollars.

[b] State Highway Department

[c] DFA Public School Finance

SOURCE: Energy Impact Task Force

Table A-2

FUTURE CAPITAL EXPENDITURES REQUIRED IN GRANTS URANIUM BELT

The following are the estimates for required capital expenditures for the public services necessary to accomodate the expected growth as a result of uranium development:

URANIUM BELT CAPITAL OUTLAY-TWO YEAR POPULATION GROWTH

Service	Low Estimate	High Estimate
Water	$1,885,408	$ 4,839,072
Sewer	1,603,217	4,114,803
Solid Waste	31,010	79,590
Fire	272,888	700,392
Library	142,646	366,114
Recreation	403,130	1,034,670
Health	167,454	429,786
Police	186,060	477,540
Streets and Roads	2,263,730	5,810,070
Local Government	133,343	342,237
Schools	2,480,000	6,367,200
TOTAL	$9,568,886	$24,561,474

URANIUM BELT CAPITAL OUTLAY-FIVE YEAR POPULATION GROWTH

Service	Low Estimate	High Estimate
Water	$ 2,915,360	$ 7,483,264
Sewer	2,479,015	6,363,326
Solid Waste	47,950	123,080
Fire	421,960	1,083,104
Library	220,570	566,168
Recreation	623,350	1,600,040
Health	258,930	664,632
Police	287,700	738,480
Streets and Roads	3,500,350	8,984,840
Local Government	206,185	529,244
Schools	3,836,000	9,846,400
TOTAL	$14,797,370	$37,982,488

Table A-2 (Cont'd.)

CAPITAL OUTLAY FOR URANIUM BELT BY 1985

Service	Low Estimate	High Estimate
Water	$ 4,893,184	$14,118,976
Sewer	4,160,816	12,005,774
Solid Waste	80,480	232,220
Fire	708,224	2,043,536
Library	370,208	1,068,212
Recreation	1,046,240	3,018,860
Health[1]	434,592	1,253,988
Police	482,880	1,393,320
Streets and Roads	5,875,040	16,952,060
Local Government	346,064	998,546
Schools	6,438,400	18,577,600
TOTAL	$24,836,128	$71,663,092

GRANTS/MILAN CAPITAL OUTLAY-TWO YEAR POPULATION GROWTH

Service	Low Estimate	High Estimate
Water	$1,055,488	$2,709,856
Sewer	897,512	2,304,269
Solid Waste	17,360	44,570
Fire	152,768	392,216
Library	79,856	205,022
Recreation	225,680	579,410
Police	104,160	267,420
Local Streets (@ $265/Capita)	460,040	1,181,105
Local Government	74,648	191,651
TOTAL	$3,067,512	$7,875,519

GRANTS/MILAN CAPITAL OUTLAY-FIVE YEAR POPULATION GROWTH

Service	Low Estimate	High Estimate
Water	$1,632,480	$ 4,190,336
Sewer	1,388,145	3,563,164
Solid Waste	26,850	68,920
Fire	236,280	606,496
Library	123,510	317,032
Recreation	349,050	895,960
Police	161,100	413,520
Local Streets (@ $265/Capita)	711,525	1,826,380
Local Government	115,455	296,356
TOTAL	$4,744,395	$12,178,164

Source: State Planning Office, 1976

Table A-3

NEW MEXICO PUBLIC SCHOOL FINANCE FORMULA (1976)
Example Calculation of Program Cost
District ADM = 10,000

1. Program Need	Students	Cost Differential	Program Units
Early Childhood FTE	450	1.3	585.0
Basic Program			
Grades 1-3	2,100	1.1	2,310.0
4-6	2,400	1.0	2,400.0
7-12	4,900	1.25	6,125.0
Special Education			
A/B Resource Rm/ Resource Tchrs.	6 programs	20 per program or 0.12 x 1-3 ADM	252.0
C Moderate	130	1.9	247.0
D Severe	20	3.5	70.0
Total Students	10,000		
Bilingual FTE	100	0.3	30.0
		Program Units	12,019.0

Teaching and Experience Index 1.027

Adjusted Program Units = 12,019.0 x 1.027 = 12,343.513

Size Adjustment Units

Elementary-Junior High 168 ADM

$$\frac{200-168}{200} \times 1.0 \times 168 = 26{,}880 \text{ units}$$

Senior High None eligible

$$\frac{200-0}{200} \times 2.0 \times 0 = 0 \text{ units}$$

Rural/Isolation (District ADM over 10,000 only)

Number of senior highs=2

$$\left[4000\left(-\frac{\text{ADM}}{\text{No. of senior highs}}\right)\right]0.2 = \text{units}$$

District (Under 4000 only)

$$\frac{4000 - \text{ADM}}{4000} \times 0.15 \times \text{ADM} = \text{units}$$ NA NA

Size Adjustment Units = 26.880

Adjusted Program Units	12,343.513
Size Adjustment Units	26.880
Total Units	12,370.393

Dollar Allocation = 12,370.393 units x dollars per unit
@ $800 per program unit
= 12,370.393 x $800.00
= $9,896.314

100% district need in dollars - $9,896.314

SOURCE: New Mexico State Department of Education

Table A-3 (cont'd.)

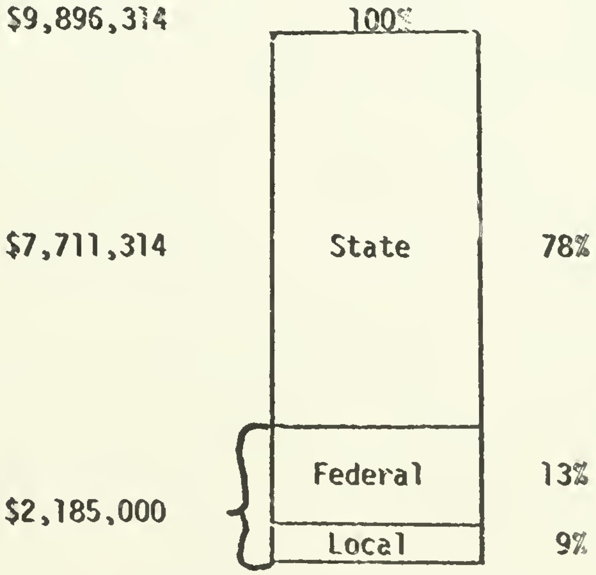
NEW MEXICO PUBLIC SCHOOL FINANCE FORMULA (1976)
Example: State Equalization Guarantee

II. Distribution of Need

District Revenue:

Local	
Uniform mill levy (8.925 mills)	$ 900,000
Motor Vehicle License Fees	50,000
Federal (Non-categorical)	
Forest Reserve	10,000
Regular Vocational	40,000
P. L. 874	1,300,000
Total	$2,300,000
95% of total taken as credits	$2,185,000

Program Cost	$9,896,314
Less Credits	-2,185,000
State Equalization Guarantee	$7,711,314



Section Five: North Dakota

STRATEGIES FOR ALLEVIATION OF SOCIOECONOMIC IMPACTS IN NORTH DAKOTA COMMUNITIES

By Leonard Bronder, Resource Economist
Western Governors' Regional Energy Policy Office

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ACKNOWLEDGMENTS

State Treasurer

State Superintendant of Public Instruction

Legislative Council

Office of the Governor

Coal Impact Assistance Office

Bank of North Dakota

Regional Environmental Assessment Program

CHAPTER I

THE SETTING: COAL PRODUCTION EXPECTED TO TRIPLE IN NORTH DAKOTA BY MID-1980S

The total population of North Dakota has risen very slowly from 634,000 in 1960 to 637,000 in 1975. Total wage, salary, and proprietors' income was $2,894 million in 1975. Farm income is far and away the primary source of basic income. Despite a sharp decline in farming income during the past two years, the total income from this source was $850 million in 1975 which was far in excess of the income payments for wages and salaries for manufacturing, $182 million, or mining, $37 million.

Increased coal production will create thousands of new jobs. Additional new jobs by 1985 have been projected by the U.S. Department of Labor Office for Region VIII as follows: surface mining, 872; electric power plants--construction workers, 2,980; electric power plants--operating personnel, 388; coal gasification plants--construction workers, 5,008; coal gasification plants--operating personnel, 1,868. This is a total of 11,116 more workers in these energy developments over the next ten years.[1] If these projections are realized, the increase in population from basic and secondary economic growth will be on the order of fifty-thousand persons, compared with a population growth of only three-thousand from 1960 to 1975.

The principal sources of mineral production are coal, oil, and gas. While oil and gas production is expected to level off or even decline, the production of coal is forecasted to rise from 9.4 million tons in 1975 to 13.5 million tons in 1980 and to 30 million tons by 1985.[2] A recent decline in oil and gas production has been offset by the rapid rise in crude oil prices, which has resulted in a two-and-a-half-fold increase in state severance taxes in the past three years.

North Dakota lignite coal has been referred to as "high-grade soil" or "low-grade coal." Lignite has a low Btu value and a high moisture content. These features make it uneconomical to ship beyond a few hundred miles.

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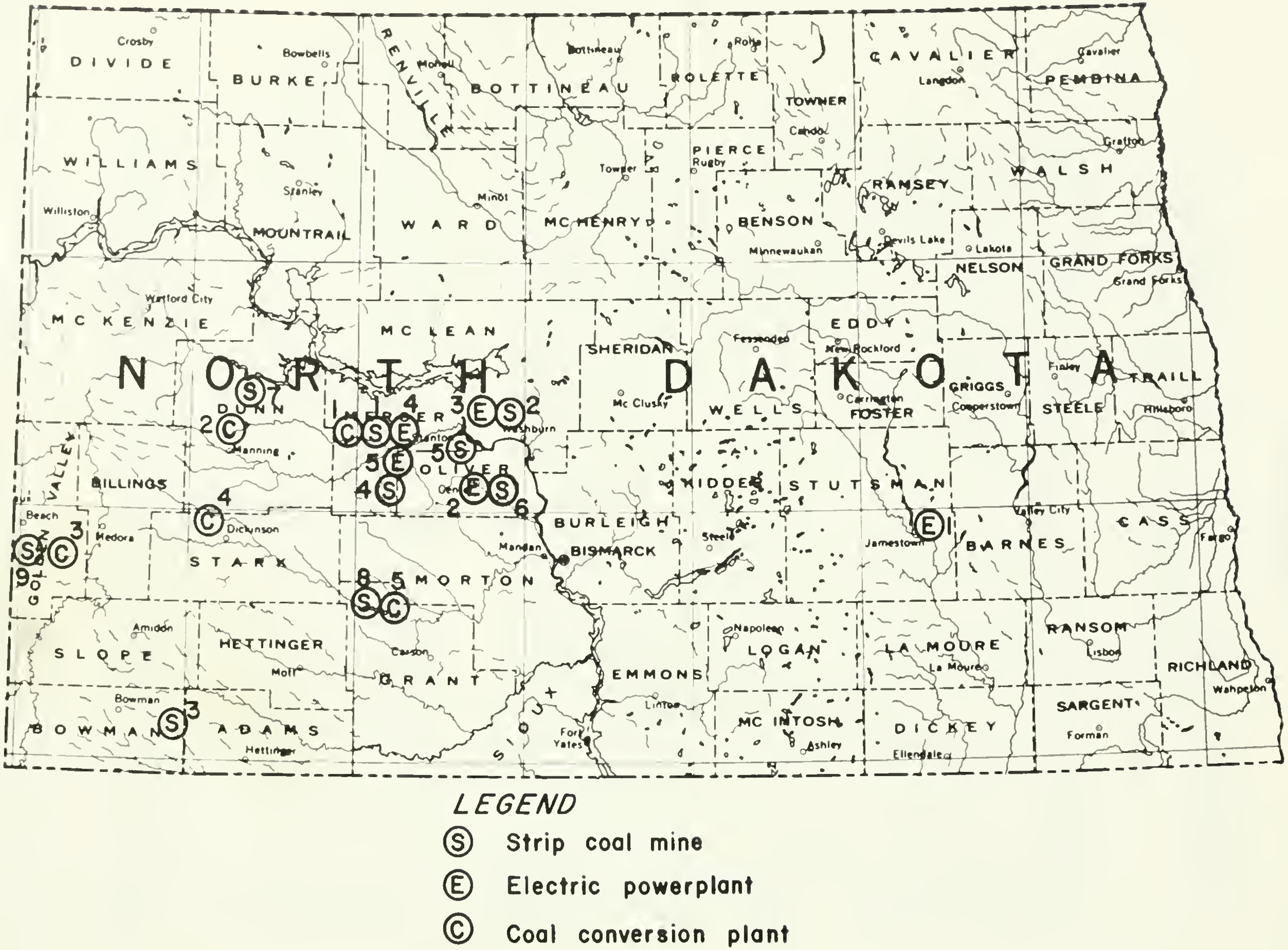
1. *Energy - Employment: The Critical Dependency in the U.S. Economy,* Robert J. Brown, Regional Administrator, U.S. Dept of Labor, October, 1976.
2. Fort Union Regional Task Forces Proceedings, Volume II, Bismarck, North Dakota, 1977.

Figure 1

FUTURE FUELS-RELATED PROJECTS IN NORTH DAKOTA



Source: Information Circular 8719, May, 1976, Department of Interior.

Therefore, the major end-product of the state's coal production has been power generation and, in the future, may include the conversion of coal into pipeline gas and by-products. At present, there are three thermogenerators with a capacity in excess of 400 megawatts each under construction and three more of similar size under consideration. There will be located in Mercer, Oliver, and McLean counties.

Prospective mineral production activities and related energy developments are depicted in Figure 1. These developments based upon a survey sponsored by the U.S. Bureau of Mines were published in Information Circular 8919, May, 1976. Some of the prospective developments may, of course, never take place because of changed economic, environmental, and technical considerations or standards.

The feasibility of the conversion of coal into gas and other by-products is likely to depend upon federal support of private enterprise such as loan guarantees. Of course, a rapid increase in natural gas prices could make gasification of coal economically feasible at an earlier date than now forecasted. When the conversion plants become economically feasible, a major thrust will be given to coal production; a 250 million cubic foot-a-day plant requires about 12 million tons of lignite coal a year. Two plants are presently under active consideration.

It is fortunate that coal mining and related developments such as power plants and the proposed coal gasification plants are occurring in geographic clusters. Construction workers are able, in many instances, to live in one town for many years because as one plant is completed another is starting nearby.

Another beneficial factor results from the spacing of these developments over time. This time cycle of development results in a steady need for additional public facilities among the communities. If the plants' starts were not phased in over time, there would be a massive need for roads, schools, water and sewer systems, and the like throughout the area involved which would place excessive pressure on the state and local governmental financial capacities.

Therefore, the need for front-end finances to support public operations and new facilities becomes less a massive one-time requirement and more a continual need. When front-end money is needed on a regular basis as plants are staged into a time stream of development, the state-local financial strategy needs to be less crisis-oriented. In order to finance adequately the necessary public facilities in the boomtown areas of the state, there is required a continual, stable increased amount of revenue for impacted communities. This is not to imply that certain communities will not require substantial front-end finances which will perforce be repaid over future years. The public needs of the state in a broad sense, including its subdivisions, will require a continuous flow of additional revenues, while certain communities periodically will require rather large lump sums of financial support mainly for capital improvements.

CHAPTER II

NORTH DAKOTA STATE AND LOCAL FINANCES AND THE PROBLEM OF COMMUNITY IMPACTS[1]

State and local government in North Dakota received $751.3 million in general revenues in 1974-75. The statistics which are the most recent released by the Bureau of Census show that the amounts and percent of revenues by levels of government were: federal, $161.1 million (21.4 percent); state, $408.2 million (54.3 percent); and local, $182.0 million (24.2 percent). For all fifty states, the shares of state and local general revenues were: federal, 20.6 percent; state, 42.4 percent; and local, 37 percent. North Dakota received about an average distribution of federal funds.

The revenues received by state and local government in North Dakota after taking account of intergovernmental transfers were $434.2 million, or 57.8 percent, for state government and $317.1 million, or 42.2 percent for local governments.

STATE EXPENDITURES

State general spending was $464.4 million in 1974-75. Direct expenditures, excluding $122.2 million in governmental transfers, was $342.1 million. The state directed the major portion of spending for two categories: highways, $64.6 million; and education, $94.3 million. Other state spending was for the following purposes: natural resources, $21.4 million; welfare, $42.6 million; health and hospitals, $22.6 million; financial administration, $5.9 million; employment security, $2.2 million; general control, $4.3 million; police, $2.2 million; and corrections, $3.3 million. These expenditures do not include state aid for education and other transfer payments which are distributed as follows: schools, $84.2 million; counties, $15.3 million; municipalities, $13.3 million; and unallocable, $9.4 million.[2] The general fund appropriations for 1973-75 are shown in Figure 2.

STATE REVENUES

The state receives revenues from a variety of sources. These sources include tax revenues, federal aid and revenue

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1. The 1977 legislature amended the coal severance tax and the distribution of coal conversion taxes. These changes are described in the addendum to this chapter.

2. *State Government Finances in 1974-75*, U.S. Bureau of the Census.

sharing funds, royalty income from state and federal lands, and interest income from investments.

Intergovernmental revenues were received from the federal government, $136.2 million and from local government, $6.9 million. The federal revenues were for public welfare, $35.4 million; highways, $34.7 million; education, $30.6 million; general revenue sharing, $7.4 million; health and

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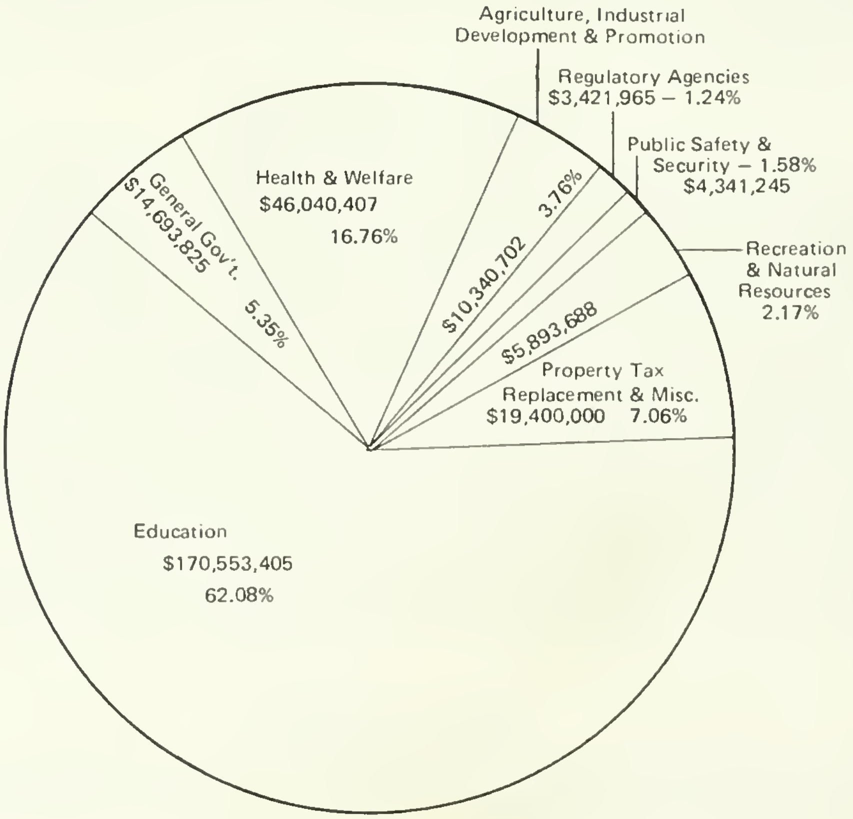
Figure 2

GENERAL FUND
1973-1975 APPROPRIATIONS

Total General Fund — $274,685,237
$444.65 per Capita — 1970 Census



Source: Report of North Dakota State Tax Commissioner.

hospitals, $5.2 million, natural resources, $5.9 million; employment security, $2.3 million; and other, $14.7 million.

Revenues from charges which totaled $120.7 million were from education, $33.3 million; hospitals, $6.0 million; natural resources, $3.2 million; Bank of North Dakota and mill and elevator association, $76.0 million; and other, $2.2 million.

Miscellaneous general revenues totaled $23.9 million. The sources were interest earnings, $17.5 million; donations, $2.6 million; sales of property, $1.3 million; and other $354,000.

TAX REVENUES

North Dakota state tax collections were $263.6 million in 1974-75. Major tax sources were general sales and use taxes, $94.5 million; individual income tax, $64.6 million; corporate income tax, $20.0 million (including $11.4 million in business privilege taxes); motor fuels, $27 million; severance taxes, $6.9 million; motor vehicle registration fees, $20.5 million; tobacco excises, $8.2 million; alcoholic beverages, $5.9 million; insurance premium taxes, $4.9 million; business licenses, $4.6 million; hunting and fishing fees, $1.7 million; and property taxes, $1.5 million.

Individual income taxes are levied on the federal taxable income base with various adjustments, including a deduction for federal income taxes paid. The rates on taxable income vary from one percent on the first $1,000 to 10 percent on all amounts over $10,000. The revenues are deposited in the state federal general fund.

Corporate income taxes are imposed on the federal tax base, with a subtraction of federal income taxes paid. The rates are graduated from three percent of the first $3,000, four percent on the next $5,000, five percent on the next $7,000, and six percent on all above $15,000. The revenues are deposited in the state general fund.

Business privilege taxes are levied at one percent on net income of all businesses, corporate and non-corporate, with an exemption for the first $2,000 each year. Federal income taxes are not deductible. The revenues are deposited in the state general fund.

Retail sales and use taxes are imposed at a rate of three percent. Utility services are taxable, but food for home consumption is exempt. Coal consumed in a state is exempt. Machinery and equipment brought into the state must pay a use tax of three percent. Revenues are deposited in the state general fund.

Cigarettes are taxed at 11 or 12 cents per package, depending upon weight. Other tobacco products are taxed at 11 percent of the wholesale price. Three cents per package of the cigarette tax is distributed to all cities, based upon the last census. The remainder and other tobacco taxes are deposited in the state general fund.

Alcoholic beverages are taxed at various rates, from beer in bottles and cans at 16 cents per gallon to alcohol at $4.05 per gallon. Revenues are deposited in the state general fund. The liquor tax was $3.7 million, and the beer tax was $2.2 million in FY 1974-75.

Insurance premium taxes are imposed at a rate of 2½ percent of gross premiums. Domestic fire insurance companies are subject to a tax of 0.5 percent of gross premiums. Proceeds except fire insurance taxes are deposited in the state general fund. The fire insurance taxes are used to support the state fire marshall's operations.

Motor vehicle excise taxes are imposed at a rate of four percent on retail sales. The excise taxes on sales within the state are deposited in the state general fund. One-half of the receipts from out-of-state purchases are deposited in the motor vehicle registration fund and one-half to the state general fund. The state general fund received $11.3 million in fiscal year 1974-75 from the motor vehicle excise tax.

Motor vehicle registration fees are based upon the age and weight of the vehicle. The proceeds after administration expenses are deposited in a state highway tax distribution fund. The deposits from registration fees in 1974-75 were $16.8 million.

Motor vehicle fuel taxes are levied at seven cents per gallon. The net collections were $21.5 million in fiscal year 1974-75 and were apportioned with other revenues for road and highway purposes as shown in Table 1.

Special fuels taxes are imposed at seven cents per gallon on sales of diesel, butane, propane, and other special fuels. The revenues after refunds were $5.5 million in fiscal year 1974-75 and are distributed for state highway purposes and local roads and highways.

Coal conversion plants are taxed on various bases, depending upon size and ownership. Thermogenerators, with a capacity of less than 120 megawatts and owned by rural electric cooperatives, are taxed under an annual gross

Table 1

HIGHWAY TAX DISTRIBUTION FUND: RECEIPTS BY SOURCE AND DISTRIBUTIONS TYPE OF GOVERNMENTAL AGENCY, 1972 TO 1976

Receipts by Source and Distributions by Type of Agency	Fiscal Years Ending June 30				
	1972	1973	1974	1975	1976
	Amounts in Thousands of Dollars				
Receipts Available for Distribution from:					
Motor vehicle registration taxes[a]	13,972	14,638	16,484	17,626	18,919
Motor vehicle fuel tax (gasoline)[b]	20,255	20,826	20,360	21,110	22,727
Special fuels tax (diesel and LPG)[c]	2,966	3,124	3,478	3,444	3,876
Special fuels excise tax	1,005	1,073	1,546	2,088	2,302
Total Available for Distribution[d]	38,198	39.661	41,877	44,268	47,824
Amounts Actually Distributed:					
To State Highway Department	23,415	25,223	26,976	27,523	29,712
To counties	10,039	10,814	9,770	9,805	10,732
To cities	3,713	4,000	6,073	6,260	6,718
Total Amount Distributed	37,167	40,037	42,819	43,688	47,162

[a] Net amount available for distribution.

[b] Net amount available for distribution; that is, gross receipts less amounts withheld for refunds and for operations of Gas Tax Division of State Tax Department.

[c] Net amount available for distribution; that is, gross receipts less amounts withheld for refunds.

[d] Receipts and total distributions do not agree by years, because of undistributed fund balances.

SOURCE: Compiled from data in *North Dakota Highway Statistics: 1975*, Transportation Services Division, North Dakota State Highway Department, Bismarck.

receipts tax. There is only one plant in this group at present. Plants with a capacity of more than 120 megawatts and investor-owned plants are subject to state tax assessment and pay taxes at the rate of the appropriate millage rate. Three plants are currently in this category.

Large coal conversion plants are subject to an annual privilege tax. Existing and proposed plants subject to the tax are shown in Table A-1. A tax is levied at 0.25 mill per kilowatt hour of electricity produced. Coal gasification plants will be taxed on either a ten cents per thousand cubic feet of gas or 2½ percent of annual gross receipts basis. Other plants are taxed at 2½ percent of gross receipts. The properties are exempt from property taxes except on their land valuations.

The proceeds of the coal conversion tax on each facility is apportioned by the State Treasurer between the State General Fund and the county in which the plant is located, according to the following schedule:

Annual Amount of Tax on each Plant	Percent to State General Fund	Percent to the County
First $100,000	0	100
Second $100,000	50	50
Amount between $200,000 and $500,000	75	25
Amount between $500,000 and $1,000,000	85	15
Amount above $1,000,000	90	10

The amount received by each county is apportioned as follows:

15 percent is divided among all incorporated cities in the county according to the population of each as shown by the last decennial federal census.

40 percent is deposited in the county general fund.

45 percent is divided among all school districts in the county on the basis of average daily attendance.

A coal severance tax at the base rate of 50 cents per ton mined with an escalator of one cent per ton for each three points of increase in the U. S. wholesale price index. The tax, which is estimated at $3.8 million in fiscal 1975-76 and $4.5 million in fiscal 1976-77, is shared by state and local governments as follows:

30 percent is deposited in the State General Fund.

30 percent is credited to a permanent trust fund, administered by the Board of University and School

Lands. The trust fund may not be spent, but income from the investments of this trust fund are deposited in the State General Fund.

35 percent is credited to the State Coal Development Impact Fund from which grants are made to cities, counties, school districts, and other taxing jurisdictions. (See subsequent section on Coal Impact Grants)

5 percent is distributed among the coal-producing counties according to the amount of coal each produces annually. The allotment for each county is deposited in its general fund.

The tax is paid quarterly by the mining companies.

If the 1977 Legislative Assembly reenacts the coal severance tax, the projected coal production and tax yields during the next four years would be about as follows:

Year Ending June 30	Thousand Tons of Coal Mined	Average Severance Tax per Ton	Amount of Severance Taxes
1977	12,000	55 cents	$ 6,600,000
1978	14,500	58 cents	8,410,000
1979	17,000	61 cents	10,370,000
1980	19,500	64 cents	12,480,000

Oil and gas severance taxes are in lieu of property taxes on mineral property. The tax rate is five percent of gross value at the well head. Twenty percent of the annual tax yield is credited to the state general fund. The remaining eighty percent is distributed as follows:

Amount of Annual Revenue	Percent to State General Fund	Percent to County of Production
First $200,000	25	75
Second $200,000	50	50
All annual revenue in excess of $400,000	75	25

Amounts apportioned to each county are distributed as follows:

40 percent is credited to county road and bridge fund. (The board of county commissioners may use some of this apportionment for groundwater and surface water surveys.)

45 percent is divided among all school districts in the county according to number of pupils in average daily attendance.

15 percent is divided among all incorporated cities in the county according to population as shown by the last decennial federal census.

The total revenue from the petroleum production tax was nearly two and a half times as great in 1976 as in fiscal year 1972: $8.6 million as compared to $3.2 million (see Table 2). All of this increase was due to increased prices of crude oil and natural gas because production in North Dakota declined steadily during this period.

STATE GRANTS AND AIDS

The state provides a variety of sources of shared taxes and grants. These sources will be noted and examined in greater depth when local sources of revenue are reviewed. The sharing of tax revenues was indicated on a tax-by-tax basis in review of state taxes.

A tax grant not previously mentioned is the replacement grant for exempt personal property which was enacted in 1969. This grant from the state general fund is distri-

Table 2

DISTRIBUTION OF PROCEEDS FROM OIL AND GAS PRODUCTION TAX, BY FISCAL YEARS, 1972 TO 1976
(in thousands)

Year Ending June 30	To State General Fund	Returned to Counties	Total Amount Distributed
1972	$ 1,647	$ 1,548	$ 3,195
1973	1,665	1,598	3,263
1974	3,097	2,176	5,273
1975	4,280	2,638	6,918
1976	5,584	3,033	8,617

Note: Amounts actually collected differ somewhat from amounts distributed because of refunds and the fact that some collections are received in one fiscal year, but distribution is not made until the next fiscal year.

SOURCE: Office records of North Dakota State Treasurer, Bismarck.

buted to local governments, except for school districts. The basis is the personal property tax levied in 1968, indexed for inflation by the changes in real estate taxes since then. In most jurisdictions, the grant is equal to about fifteen to eighteen percent of the real estate tax levy.

State aid to local government for highways, streets, and roads deserves special mention. Counties received $9.9 million from the state in 1975 for road purposes from the highway tax fund. In 1974 (latest data), the counties also received $1.3 million from a personal property replacement grant and $860,000 from the oil and gas production tax. Cities received $6.3 million for streets and roads in 1975 from the highway tax fund. Townships received $818,000 in 1974 (latest data) from the personal property replacement tax fund.

STATE AIDS FOR COAL IMPACTED AREAS

Thirty-five percent of the proceeds of the coal severance tax are credited to a special fund in the state treasury and distributed as grants made by the Coal Impact Office to local units of government that are affected by the development of coal mines and coal conversion plants. The program is scheduled to expire on June 30, 1977, but may be re-enacted by the 1977 legislature. The guideline established by the statute is: in determining the amount of impact grants for which political subdivisions are eligible, the amount of revenue to which such political subdivisions will be entitled from taxes upon real property, coal development plants, and from other tax or fund distribution formulas provided by law shall be considered. Dr. Stanley W. Voelker has stated that the Coal Impact Office has concentrated the grants it has made from the severance tax proceeds in the McLean, Mercer, and Oliver county areas. "It has helped counties primarily with funds for additional law enforcement personnel; it has helped cities to provide streets, water storage and supply facilities, waste treatment, and sewer lines and water mains in new subdivisions; and it has helped school districts with modest grants to supplement proceeds for bond issues in construction contracts with the state construction revolving fund for construction and re-construction of school facilities."[1]

STATE DEBT AND LEVY LIMIT

North Dakota state government has no short-term debt

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1. The quote is from *The Taxation and Revenue System of State and Local Governments in North Dakota*, Stanley A. Voelker, Fred R. Taylor and Thomas K. Osterson, Agricultural Economic Department, North Dakota State University. This report furnished much of the background material for the material in this chapter.

and a small, long-term, full-faith-in-credit debt of $17.3 million for veterans' bonus purposes. Long-term, non-guaranteed debt of $46.1 million at year end fiscal 1974-75 was for revenue generating college and university buildings and dormitories. In effect, the state is free of long-term indebtedness, which is in the nature of a general obligation.

The state may levy a property tax for general state expenses not to exceed four mills. Bond interest and payments are excluded from the limitation on levies but all bonds in excess of $2 million must be secured by a first mortgage upon real estate not to exceed one-half the value. (Article XI, Section 174 and 180)

General obligation bonds not to exceed five percent of the taxable property in the state may be issued for making loans for converting natural resources into power and transmission of power. (Article 76, Section 1)

CASH AND SECURITIES

Cash and security holdings were $487.6 million at year end fiscal 1974-75. For "other than insurance trust systems," the total was $369.5 million with a breakdown as follows: cash and deposits, $266.4 million; federal securities, $28.9 million; state and local securities, $.567 million; and other, $73.7 million.

COMMENTS

The State of North Dakota has a well-balanced revenue structure. Individual and corporate income taxes are an integral part of a tax system which generates the major portion of revenues in sales and use taxes and a variety of excise taxes.

State taxes are shared with local governments to a very limited extent. Rather than a direct sharing of tax revenues, the state appropriates sizable funds from the state general fund. The state local school foundation program, for example, received $58.5 million in 1974-75 and will receive an estimated $71.9 million in 1975-76. The personal property replacement tax is also funded by the state's general fund.

Nevertheless, the state does not direct as great a portion of state spending to aid local government as in the typical western state. The proportion was 26.3 percent in 1974-75. Among the ten WGREPO states, only South Dakota and Montana were directing a lesser portion of total state expenditures to local government assistance than was North Dakota. The leading states were Arizona, 44 percent; Colorado, 37 percent; New Mexico, 36 percent; and Utah, 32.4 percent of the total state general expenditures.

State severance and energy development taxes on electrical generation and coal conversions would provide revenues which may be used to alleviate community impacts. As reflected in the foregoing analysis, the state government has chosen not to channel the bulk of these energy-related revenues to local governments. In particular, the cities and towns receive only a minor share of the revenues. The lion's share of the energy-related tax revenues from the coal and oil and gas severance taxes, as well as the taxes based upon the output of electrical power and gasification plants, are deposited into the state treasury. It appears that local governments should receive a greater share of these revenues, at least for a number of years, until the public revenue demands, caused by population increases due to energy developments, have subsided.

Furthermore, local communities are not permitted to impose a property tax on buildings or machinery and equipment of coal conversion facilities, including electric power plants. The relinquishment of this potential tax base by local units through state law should serve as an additional rationale for increasing the share of the substitute output tax revenues to local governments. Current laws are not designed to compensate adequately local governments because of the short-circuiting of the money from these tax sources being channelled into the state general fund and trust funds.

Lastly, the state has a substantial amount of cash and security holdings. These provide a possible source of loanable funds to impacted communities. A careful analysis of the extent to which they may be made available should be undertaken.

ADDENDUM

Recent Changes in the State Severance Tax on Coal and Distribution of Tax Revenues

The 1977 legislature passed H 1262, which became law. The new act changes the severance tax on coal to 65 cents per short ton (2,000 pounds), which will be increased by 1 cent per ton for each one point change in the wholesale price index. In any event, the tax will not be subject to a reduction. The distribution of the coal severance taxes has been changed as follows: 35 percent to the coal development impact assistance fund for grants to communities impacted by coal development; 15 percent to the Board of School lands to be invested in trust funds, with the interest flowing to the state general fund; 20 percent to the counties in proportion to the tonnage of coal mined for use by the counties for general purposes; and 30 percent to the state general fund.

The distribution of revenues derived from coal conversion taxes was changed by passage of H 1587. The revenues will be allocated to the counties in the amount of 35 percent and to the state general fund in the amount of 65 percent of the revenue. The revenues which are distributed to the counties will be allocated as follows: 35 percent to incorporated cities and towns; 35 percent to county government; and 30 percent to the school districts. The funds were divided among the school districts in accordance with the number of pupils and average daily attendance, and the funds going to incorporated cities will be apportioned on the basis of the last decennial federal census.

CHAPTER III

COUNTIES AND THE IMPACT PROBLEM

County government received $79.7 million in general revenue in 1974-75. Federal government sources provided $8.7 million and state sources, $21.1 million. Property taxes provided $38.8 million dollars and other taxes, $2.5 million. Charges for services and miscellaneous income brought in $4.7 million. These are charges for services, fees such as parking charges and other charges for services.

General expenditures were for highways, $26.6 million public welfare, $6.2 million; police and fire protection, $2.8 million; health and hospitals, $2.4 million; and all other expenditures, $20.9 million.

Debt outstanding was a minor amount, namely $800,000 in long-term general obligation debt. Under the state constitution (Article XI, Section 183) a county may not incur debt exceeding five percent of assessed valuation with the exception that by a favorable vote a county may issue bonds for any revenue producing utility owned by the county not exceeding the physical value of such utility.

The state provided twenty-six percent of county revenues as compared with seventeen percent of municipal revenues and and forty-seven percent of total school district revenues in 1974-75. The major share of state revenue is from the highway fund which allocated to counties by law, $9.9 million in 1974-75 and $10.7 million in 1975-76. Severance taxes and the coal conversion taxes will yield an estimated $1.75 million dollars in 1976-77 out of a total state-collected revenue of $14.7 million dollars.

Socioeconomic impact funds from state-shared revenues must await the completion of power plants, gasification plants, or the completion of a mine. Therefore access to a full tax base is delayed in the developmental stage while the need for public services arises early as the wave of construction workers arrives in the communities.

The time paths of revenues and expenditures generated by the new energy developments for four counties is shown in Appendix A-2 - A-20. These illustrations indicate a shortfall in revenues in McLean County until 1981, in Dunn County until 1986, and in Mercer County until the end of the century.

In these examples, which were calculated by the REAP Office, the absence of energy developments in Mercer County in the illustration caused a dramatic mismatch of community impacts and accompanying revenue base. Both Dunn and McLean Counties received mining severance taxes and coal conversion taxes in the illustrated developments. Mercer County, however, would receive taxes only from new resident homes and new business activity such as retail stores.

The illustrations are designed to depict what would happen given the three types of developments chosen for this particular simulation. The most important aspect of this model of the impacts from energy development is that there are expected shortfalls in revenues over the first few years which must be recognized and dealt with through local, state or federal sources of finance.

COMMENTS

The financial problem in counties experiencing accelerated population growth is basically caused by a shortfall in revenues during the construction phase of mining and related energy developments. This problem stems in part from the exemption of machinery and equipment from property taxation in North Dakota. The statute which authorized the taxation of coal conversion enterprises based upon output in addition removed the improvements to real estate of coal conversion facilities from property taxation.

In consequence, a county in which coal mining or a coal conversion facility is being constructed must await the completion of the project before receiving tax revenues. The county receives five percent of the coal severance taxes for general purposes and 40 percent of the revenues returned by the state from coal conversion output taxes. As shown in Chapter II, the return of these taxes is graduated so that the state receives 90 percent of annual tax revenues above $1 million and none of the first $100,000 a year. The schedule of sharing of revenues is decidely favorable to the state government and not to local units of government.

The 1977 legislature has several proposals before it to change the distribution of both coal severance taxes and coal conversion output taxes. These proposals have, as their general emphasis, an increase in the share of these state tax revenues to counties, cities, and schools. Even if these proposals are enacted, the problem of front-end financing of county expenditures in the early construction phase of development will remain. A program of borrowing from state or other sources to meet the expenditures during the early years of development appears to be needed, unless local property taxes are raised by means of tax rate increases.

Lastly, the simulation of county revenues and expenditures, as shown in Appendix A-2 to A-5 reveals another problem. Those counties which are located near counties in which energy developments are taking place apparently will experience a spillover of some workers. Such counties, however, will not receive severance taxes or coal conversion tax revenues. Therefore, such counties will have both short-run and long-run costs of government without the additional revenues which are available to the counties in which development occurs. One avenue to help alleviate the financial stress in these counties would be grants from the coal board.

CHAPTER IV

MUNICIPALITIES AND IMPACT ALLEVIATION

The general revenues received by municipalities in 1974-75 were $67.7 million, of which the federal government provided $7.5 million and state government, $11.6 million. Tax revenues were $18.3 million, which included $15.2 million in property taxes and $3.0 million in other taxes. Charges and miscellaneous revenues amounted to $30 million. This category includes special assessments, fees, charges for services, rents, parking lot fees, etc.

Outstanding debt was $138.7 million at the end of 1974-75. Full-faith-and-credit debt was $42.3 million and non-guaranteed debt was $90.9 million. North Dakota cities are not allowed to exceed a debt equal to five percent of the assessed valuation of taxable property except upon approval of two-thirds of the voters. With voter approval the indebtedness may be increased by an additional three percent. Furthermore, a city may increase indebtedness by up to an additional four percent for the purpose of constructing or purchasing water works or for constructing sewers (Article XI, Section 183 of the state constitution).

General expenditures were $62.8 million in 1974-75. The major expenditures were: highways, $12.1 million; police and fire protection, $12 million; health and hospitals, $1.1 million; interest on general debt, $5.0 million; and all other, $32.5 million. Utility systems expenditures were $20.1 million but were not included under general expenditures.

A review of state sharing of revenues indicates the minor degree to which North Dakota municipalities are able to depend upon state-shared revenue. The principal sources of shared revenues and the amount shared by municipalities in 1975 are: cigarette taxes, total $8 million, town and city share, $2.2 million; highway tax funds, total $44.3 million, municipal share, $6.3 million; coal conversion tax, total $972,000 in 1975-76, municipal share, $45,000; and coal severance tax, total $8.6 million in 1975-76, municipal share is a portion of the two million dollars which is allocated by the Coal Impact Office.

In the United States the average municipal revenue from state sources is 26.2 percent. North Dakota state government provided revenues equal to only 17.1 percent of the total municipal revenues from all sources.

THE REAP MODEL REVEALS FISCAL PROBLEMS

A simulation of the revenues and expenditures of local governments during the years following four assumed energy developments in three counties are shown in Appendix Tables A-2 to A-5. Impacts upon some cities and towns outside of the boundaries of the three counties, such as Bismarck, are shown as well. These time paths of revenues and expenditures were projected by the Regional Environmental Assessment Program of North Dakota.

The revenues are designed to reflect the likely tax and other revenues from increased residences and derived business activities from the energy developments. Also, the projected expenditures are based upon the increase in street, fire, and police protection and other services, as well as debt service, due to the increase in energy-related populations.

The results are uniform and are as expected. Without exception, the cities and towns would experience a shortfall in revenues compared with expenditures over all future years to 1999. As a result of the small revenue share of coal conversion taxes to municipalities and the absence of any shared severance taxes (except through coal impact board grants), the nearer a city or town is to the energy development, the more severe the revenue shortfall. The reason for a greater adverse impact upon the budgets of nearby town is the more sizable growth in population and hence public service needs; this occurs while these towns receive only a small fraction of the total increase in state tax revenues from energy developments.

COMMENTS

Towns and cities are receiving assistance from the new energy taxes based upon power generating and severance taxes. The design of the state tax structure to impose a state tax on energy development and thereby avoid the pitfall of creating super-rich local taxing districts is commendable. A second step needs to be taken: the state should greatly increase the share of tax revenue going to municipalities as well as to counties and school districts from the state energy resource taxes.

In distributing the increased share of revenue the state should recognize that the socioeconomic impacts are most pronounced in the particular town or city or school district where the worker resides. Allocation of the state collected revenues should be oriented to the place of residence of employees.

Furthermore, the state has cash and invested funds which appear to exceed the need for liquidity. In recognition of this fact the sales tax rate was reduced by one-fourth to a three percent rate in November, 1976. The state may wish to invest its excess funds in local communities which need front-end money on favorable loan terms to provide necessary facilities.

CHAPTER V

SCHOOL DISTRICTS AND IMPACT ALLEVIATION

School districts in North Dakota received $173.6 million in general revenue in 1974-75. The data are the most recent released by the U. S. Bureau of Census. Revenues from other government were: federal, $3.2 million; and state, $81.8 million. Tax revenues provided $55.7 million, of which $55.5 million were property taxes. Charges and miscellaneous revenues (from tuition, fees, etc.,) were $15.7 million.

Total general expenditures were $177.3 million, of which interest on debt was $2.8 million. Long-term debt was $63.4 million at the end of 1974-75. The state constitution limits school debt to five percent of the assessed valuation which can be increased to ten percent of assessed valuation by voter approval (Article XII, Section 183).

The state does not provide much capital construction assistance. State agencies oftentimes do invest in school bonds and furnish capital funds through this mechanism. A local school bond issue requires a sixty percent favorable vote. Privately sold bonds may not exceed an interest rate of eight percent; no interest rate limit is imposed on public sales of bonds. A building fund may be established in the annual operating budget to a limit of twenty percent of the total budget, or by a special property tax of up to 20 mills approved by sixty percent of the voters. (Section 57-15-16 North Dakota Code)

STATE AIDS FOR LOCAL SCHOOLS

The state provides both state-shared taxes and grants for local schools. These shared taxes and grants include: (1) revenues from the tax on small rural telephone companies; (2) a portion of the counties' share of oil and gas production taxes; (3) a portion of the energy conversion tax; (4) apportionments from the state tuition fund; and (5) grants from the state general fund for the school foundation program.

The rural telephone tax is a minor source of revenue. In fiscal 1975-76, the tax produced $252,000 which was apportioned among many school districts.

The oil and gas production tax was shared by 58 school districts in nine counties. The total school portion in fiscal 1974-75 was $1.3 million.

The coal conversion tax will, in time, provide significant amount of revenues for school districts in McLean, Mercer, and Oliver counties in particular. It is estimated that when the seven huge thermogenerators are operating near capacity in the early 1980s, the five school districts in Mercer County will share about $266,000 a year; the nine districts in McLean County will share about $171,000 a year; and the three districts in Oliver County will share about $146,000 a year.

The state tuition fund consists of: (1) fines paid by those convicted of violating state laws; (2) rentals received from leases of school lands, including bonus payments on leases; and (3) interests and income earned on investments of the permanent school trust fund. Investments of the school trust fund have been derived over the years from receipts from land sales. Royalty payments on both coal and petroleum production are also credited to the permanent school trust fund. Bonuses received at the time of coal leases and oil and gas leases are awarded and annual delay rentals received go into the state tuition fund. The fund provided $5.5 million in fiscal 1975-76 for the local public schools in the state.

The most important source of outside financial aid for local schools is the state foundation program. It is funded by a 21 mill county-wide property tax levied in all counties and by receipts from the state general fund. The operation of the fund and distribution to the school districts are explained in Appendix Table A-20. The estimated amount of the total school foundation program for 1975-76 is $85.9 million with $71.9 million from the state general fund and $13.9 million from the 21 mill county property tax levied in all counties.

The state aid formula would reduce the per pupil state aid to impacted districts if and when the assessed valuations per pupil increase. However, the exemption of power plants, gasification plants, and coal mines from the property tax except in so far as land is concerned will temper the increase in assessed values markedly in these areas. By substituting the output tax and severance taxes for property taxes at the local level, the state has avoided the problems caused by creation of super rich local taxing districts which could otherwise result from multimillion dollar investments in certain communities.

THE REAP MODEL EXPOSES SCHOOL FINANCE PROBLEMS

A simulation of the revenues and expenditures in school districts affected by the four energy developments in three counties, as studied by the Regional Environmental Assessment Program, is shown in Appendix Tables A-13 to A-19. The projections of expenditures and revenues are based upon the effects flowing from the marginal increase in school pupils from the energy developments studied. It is important to note that the actual shortfalls in revenues, as well as any surpluses, may be different under actual developments as they unfold. The analysis is based upon only four developments, some of which are in the proposal stage and some of which are on line.

The results of the projections indicate that the increases in numbers of pupils in those counties which receive none of the shares of the coal conversion taxes will experience a negative balance during future years. On the other hand, the school districts which are located in counties where coal conversion taxes are channelled back to local units of government from the state often experience a shortfall in revenues for several of the earlier years after development has been undertaken. The early shortfall becomes a surplus of revenues over expenditures once the school district begins to receive its share of coal conversion taxes from electrical power plants and gasification plants.

By way of illustration, Dunn Center, which, it is assumed, will have started in 1980 a 250 million-cubic-feet-a-day natural gas plant, together with a 14 million ton-a-year coal mine, would begin receiving coal conversion taxes beginning in 1986 amounting to $43,000 a year. These, plus other revenues, would exceed expenditures by $18,000 a year in 1986, $132,000 a year in 1987, and in excess of $100,000 a year in each of the future years. Nevertheless, Dunn Center would be experiencing deficits from the marginal increase in pupils due to families moving in because of the energy developments until 1985. In other words, given these current levels of property tax millage rates and the state's distribution system for revenue sharing and school foundation program, the amount of monies would not cover expenditures until the coal conversion taxes and increased property taxes begin to flow at a sizable level after the mid-1980s. This appears to be the typical pattern in the counties where the energy developments take place.

However, it may be seen by reviewing the Tables which show the pattern of revenues and expenditures in school districts outside of the county of energy developments that there is a shortfall in revenues compared to expenditures for all of the future years studied. If these shortfalls are to be avoided, the distribution of state revenues will have to take into account this phenomenon. Otherwise, these school districts, including Bismarck, will be forced to increase property tax millage rates over increase revenues by other devices.

COMMENTS

The school districts received a major portion of their operating revenues from the state government. A school district in an impacted area will receive proportionately less aid compared to other districts under the 20-mill deduction required by the school foundation program if valuations rise more strikingly than in other areas. If this occurs it would be consistent with good practice because of the goal of equalization.

An impacted school may receive less than its fair share of oil, gas and coal severance taxes and the taxes on output of coal conversion facilities. This may occur for two reasons: (1) the amount of revenues from energy sources are diverted in a large part into the state general fund and the schools as well as other local units are thereby shortchanged; and (2) the sharing of school revenues in a county is based upon average daily attendance of pupils. This may channel the bulk of the revenues to a school which has few if any children from the homes of energy development workers in a county.

The state provides a state school construction revolving fund to finance adequate school plants in districts which have borrowed up to their constitutional debt limits. A rental contract is entered into by the local district and the state which may not exceed $600,000. While it is not considered to be a part of this district's bonded debt, the construction funds contract is registered by the county treasurer and the local government bond register. The original $5 million appropriation has been sufficient to date. However, the applications from coal impact areas are growing and the construction contract fund may not be adequate in the near future.

CHAPTER VI

FINANCIAL STRATEGIES FOR ALLEVIATION OF SOCIOECONOMIC IMPACTS

The recommendations for North Dakota do not prescribe major strategic changes in the present system of alleviating adverse financial impacts on communities. There has been established already a community impact office at the state level with financial support from coal severance taxes. Coal conversion taxes are imposed on productive outputs in lieu of local property taxation. Consequently, the creation of tax colonies with extraordinarily large local assessed valuations on electric power generation plants and the like has been avoided.

There has been a flow of state tax revenues in sufficient volume to allow a reduction in the state sales tax by one-fourth in 1976 to a three percent rate. The reduction in the sales tax was made possible by the accumulation of a large general fund surplus. The state has short- and long-term investments which perhaps could be made loanable to local communities. The dimensions of the financial imbalances at the local level as a result of energy developments can be evaluated and measured by the Regional Environmental Assessment Program, which has been created by the legislative branch. The principal change recommended in the following analysis is the allocation of a greater share of state tax revenues from severance taxes and coal conversion taxes to local governments affected by mineral production in related energy developments.

STATE GOVERNMENT

Findings:

The major portions of coal, oil, and gas severance taxes, as well as coal conversion output taxes, are deposited in state general funds or trust funds. The scenarios of local governmental public expenditure needs as a result of increased energy development compared with the revenues generated by the developments from state-shared taxes indicates there will be a shortfall during many of the future years.

The coal severance tax in North Dakota is based upon the unit measure, namely tons produced. The homogenous nature of the coal in North Dakota, mainly lignite, makes it more feasible to use the tonnage approach. Nevertheless, the tax has an escalation clause to provide an increase due to inflation as measured by the wholesale price index.

The state government has a substantial amount of cash and security holdings and has, in recent years, accumulated a general fund surplus of a sizable amount. The state-owned Bank of North Dakota is a depository for much of the state's liquid assets and could be a useful instrument for alleviation of both substandard housing conditions, as well as for mitigation of local government front-end financing needs through a loan program.

Alternative Strategies:

The state legislature could design an allocation system which provides local units of government with a greater portion of the tax revenues generated by severance taxes and coal conversion taxes from energy developments.

Continued and greater revenue for the coal impact assistance fund would be a device to respond quickly to local community needs from rapid growth.

Coal severance taxes may be increased predicated upon a percentage of the price of coal or the tonnage basis.

A state loan fund may be established for making loans on a favorable basis.

Recommended Strategy:

State government should increase the shares of energy-related taxes from severance and coal conversion taxes to local governments. The priority of need reflected in this report is municipalities followed by county governments and school districts.

The budget of the coal impact assistance fund should be continued and increased. There are additional needs at the local government level and the impact office has proven to be a timely source of grant money.

It is recommended, based upon two WGREPO reports,entitled "Taxation of Coal Mining: Review with Recommendations" and "Taxation of Surface and Underground Coal Mining in Western States," that the state severance tax be based upon the gross value at the mine mouth. The gross value approach eliminates the need for annual price adjustments in the tax base and will fluctuate in harmony with the price of coal rather than a substitute price index, such as the wholesale price index. Furthermore, the variation in the value of coal due to Btu values or other factors would be automatically adjusted for in the price, whereas it is not factored in when a tonnage basis is used.

The state should evaluate its current financial posture in order to ascertain whether an increase in grants from current funds could be made. The investment portfolio of the state should be analyzed to find out the extent that the invested funds could be channelled as loans to counties, cities and towns, and schools. In this regard, the state-owned Bank of North Dakota should, in addition to the housing program, which is being recommended, examine the extent to which loanable funds may be dedicated toward the alleviation of current financial pressures of local governments.

COUNTY GOVERNMENT

Findings:

The counties with mineral production receive about 16 percent of oil and gas severance taxes currently and only five percent of the coal severance taxes. A fraction of coal conversion taxes is remanded to the location of the facility, with 40 percent earmarked for county government. The major share of such taxes is deposited in the state general fund. In addition, counties receive grants from the coal impact office which are variable in amount.

Unlike the other states studied, the property of coal conversion facilities, except for the land, is exempt from property taxation due to substitution of the output tax. In practice, coal mines are also not taxed under the property tax because of the difficulty of identifying both valuations and the owners of fractional interests.

County government finances in areas affected by coal production and related energy developments are adversely affected during the construction phase of development. These adverse fiscal positions are transitory in the case of counties eligible to receive shares of severance and coal conversion tax revenues. In nearby counties, the fiscal impacts remain negative during future years because these counties do not receive energy-related taxes.

Alternative Strategies:

County governments could receive from the state an increased share of the above mentioned taxes from energy developments in order to alleviate the negative impacts which have been identified by the simulations of the future, using the Regional Environmental Assessment Program. Assistance to the county governments could extend to those counties which are nearby the counties in which the developments are located but do attract the workers in the developments as residents. The negative impacts upon such counties are identified by the REAP analysis.

State law could specify the taxation of energy facilities during the construction phase. The issue of taxability is presently a moot question.

A state loan fund would, if established, be a desirable source of loanable money for counties having front-end fiscal problems.

Recommended Strategy:

Counties in which energy-related activities are taking place could receive state assisted front-end finances. The loan funds would serve the immediate requirements for funding additional facilities. The coal impact fund assistance would be chiefly useful for operating needs and smaller facilities.

A county which is not eligible for state energy-related taxes should be granted assistance as determined by the impacts caused by energy worker residence in the county. The REAP studies will assist in the calculation of the magnitude of the impacts.

The statutes should clarify the taxation of energy developments during the construction phase. If made taxable, the counties will receive benefits during the early years when the front-end needs are great. Sound tax policy urges the taxation of developments until they are in production and pay taxes on outputs.

MUNICIPALITIES

Findings:

In the allocation of energy development taxes back to local governments, the present system apportions only 15 percent to towns and cities within the affected counties. The 15 percent share actually exaggerates the municipal share of the total amount because the major share is exacted by the state government before distribution to local governments.

The results of REAP simulations are that the cities and towns would experience a shortfall in revenues compared with expenditures over all future years to 1999. As a result of the small revenue share of coal conversion taxes to municipalities and the absence of any shared severance taxes (except through coal impact board grants), the nearer a city or town is to the energy development, the more severe the revenue shortfall. The reason for a greater adverse impact upon the budgets of nearby town is the more sizable growth in population and hence public service needs; this occurs while these towns receive only a small fraction of the total increase in state tax revenues from energy developments.

Alternative Strategies:

The state legislature could remove the exemption of energy development valuations from the property tax. An alternative would be to increase the state distributions to municipalities.

A heightened funding of the coal impact office would make available a greater amount of revenue to towns and cities, both in the directly affected county and the municipalities in nearby counties that are residences of energy workers and their families.

A state loan fund is a possible remedy to establish a source of loanable money at favorable interest rates. Municipalities must have a cash flow in order to pay back its loans; this requires, in part, a greater share of tax revenues to be channelled to towns and cities.

Recommended Strategy:

It is recommended that the portion of state revenues which flows to towns and cities be increased because of the shortfalls in revenues, as revealed by the time path of revenues and expenditures in municipalities shown in the REAP studies. In this regard, it should be recognized that the towns and cities do not receive any direct enhancement of the property tax base because of the energy developments. The towns and cities do receive additional residential valuations and secondary business valuations.

It must be recognized that a lesser share of state revenues from energy developments is distributed to municipalities, compared to schools or county governments. This imbalance should be corrected.

A state loan fund should be created to provide a ready source of loanable money to municipalities.

The budget of the coal impact office should be increased. The grants to energy development areas should consider the adverse impacts to towns and cities which provide a home for energy workers and their families regardless of the location of the enterprise.

SCHOOL DISTRICTS

Findings:

School districts do not receive very much assistance from the state for construction programs. New facilities will be required in those districts which are experiencing a substantial increase in enrollments due to energy developments.

School operating programs are largely protected by the state school aid program. The imbalance in school district valuations which could emanate from very high assessed values of energy developments is avoided in North Dakota. Energy developments are not subject to the property tax since a tax on output is substituted.

Alternative Strategies:

The state should consider allocating a larger share of energy development taxes for school districts.

Coal impact funds could be focused, in part, to the school districts requiring new construction facilities because of rapid developments.

Coal conversion facilities under construction could be taxed under the property tax prior to commerical production.

The school construction revolving fund could be enlarged by the state legislature.

State distributions of energy development taxes to the school districts could be directed to any districts impacted by accelerated enrollments regardless of whether or not the district is located in a development county.

Recommended Strategy:

School-shared energy tax distributions should be oriented toward the schools in which the children of families employed in energy-related activities are enrolled. Schools would receive a share of the revenues based upon the number of these pupils in average daily attendance. If this scheme is carried out appropriately, the revenues would flow to school districts regardless of whether or not they were located in a county in which development took place.

Taxation of coal conversion facilities should be clearly provided by statute until the facilities are taxed under the output tax. This requirement would assist school districts when their needs are substantial because of rapid growth.

The state school construction revolving fund, which is now limited to $5 million, should be increased to provide more loanable funds to impacted school districts. Loans from this fund are not considered part of the bonded debt of the district, and this makes it a flexible instrument. Consideration should be given to relaxing the limit to accommodate districts awaiting full development and taxability of energy-related industries.

APPENDIX

Table A-1

EXISTING AND PROPOSED COAL-CONVERSION PLANTS IN NORTH DAKOTA, SUBJECT TO TAXES IMPOSED BY S.L. 1975, CHAPTER 562, AS OF JANUARY 1, 1976

Name of Company	Name of Plant	Location (county)	In Operation	Capacity[a] Under Construction	Proposed
Electric Generators:					
Basin Electric Power Cooperative	Leland Olds #1	Mercer	215.7	---	---
	Leland Olds #2	Mercer	460.0	---	---
	Antelope Valley	Mercer	---	---	460
Minnkota Power Cooperative, Inc.	Milton R. Young #1	Oliver	234.6	---	---
	Milton R. Young #2	Oliver	---	440	---
	Milton R. Young #3	Oliver	---	---	450
Otter Tail Power Company, et al[b]	Coyote Creek #1	Mercer	----	---	440
United Power Association	Stanton	Mercer	172.0	---	440
United Power Association and Central Power Assn.	Coal Creek #1	McLean	---	486	---
	Coal Creek #2	McLean	---	486	---
Gasification Plants:					
American Natural Gas Co.	Beulah	Mercer	---	---	250
Natural Gas Pipeline Company of America	Dunn Center	Dunn	---	---	250

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[a] Capacity of thermogenerators is given in megawatts; capacity of gasification plants is given in millions of cubic feet of pipeline gas per day.

[b] Montana-Dakota Utilities Company, Northwestern Public Service Company, Minnkota Power Cooperative, and Minnesota Power and Light Company.

Source: *The Taxation and Revenue System of State and Local Governments in North Dakota*, Stanley A. Voelker, Fred A. Taylor and Thomas K. Osterson, Agricultural Economic Department, North Dakota State University.

BASIS OF THE FORECASTS OF PUBLIC REVENUES AND EXPENDITURES
IN NORTH DAKOTA COMMUNITIES
1977-1999

Assumptions on Which Simulations are Made for Appendix Tables A-2 to A-19

(1) UPA-CPA Coal Creek Power Plant 486 Megawatts.
State date: 1976 McLean County

(2) Natural Gas Pipeline Co. 250 McFO Gasification Plant
2nd 14 MTPY Mine. Start date: 1980 Dunn Center

(3) Five million ton a year coal mine McLean County.

(4) No other new activities are assumed to take place.

Revenues: No change in tax system or tax rates. Figures not inflated to account for price inflation.

Expenditures: Increases are due to energy-related work force and dependents. Figures not inflated to account for price inflation.

Source: Special calculations from Office of Regional Environmental Assessment Program for WGREPO. Source applies to Tables A-2 through A-19.

Table A-2

BURLEIGH COUNTY
FISCAL IMPACT REPORT
(amounts in thousands)

	Public Revenues					Public Expenditures			
Year	Share of Local Prop. Tax	Federal Revenue Sharing	Highway Fund	Con-version Tax	Severance Tax	Law Enforce-ment	Social Services	Other Govt.	Net Fiscal Balance
1975	$ 0	$ 0	$ 0	$0	$0	$0	$0	$ 0	$ 0
1976	0	0	0	0	0	2	2	32	-36
1977	2	0	7	0	0	2	3	36	-31
1978	8	0	8	0	0	2	2	35	-23
1979	14	0	8	0	0	2	2	35	-17
1980	18	0	8	0	0	4	6	81	-66
1981	19	0	18	0	0	4	6	79	-52
1982	23	14	17	0	0	5	6	83	-39
1983	24	14	18	0	0	3	4	61	-14
1984	24	14	14	0	0	5	6	85	-45
1985	21	14	19	0	0	5	6	90	-49
1986	21	14	20	0	0	5	6	92	-49
1987	21	14	20	0	0	5	7	100	-57
1988	21	14	22	0	0	5	7	99	-55
1989	21	14	22	0	0	5	7	101	-57
1990	21	14	22	0	0	5	7	101	-57
1991	21	14	22	0	0	6	7	103	-58
1992	21	17	23	0	0	6	7	104	-56
1993	21	17	23	0	0	6	7	104	-56
1994	21	17	23	0	0	6	7	105	-57
1995	21	17	23	0	0	6	7	106	-58
1996	21	17	23	0	0	6	7	107	-59
1997	21	17	24	0	0	6	8	108	-60
1998	21	17	24	0	0	6	8	109	-61
1999	21	17	24	0	0	6	8	110	-62

Table A-3

DUNN COUNTY
FISCAL IMPACT REPORT
(amount in thousands)

	Public Revenues					Public Expenditures			
Year	Share of Local Prop. Tax	Federal Revenue Sharing	Highway Fund	Con-version Tax	Severance Tax	Law Enforce-ment	Social Services	Other Govt.	Net Fiscal Balance
1975	$ 0	$ 0	$ 0	$ 0	$ 0	$0	$ 0	$ 0	$ 0
1976	0	0	0	0	0	0	0	1	-1
1977	0	0	0	0	0	0	0	1	-1
1978	5	0	0	0	0	0	0	2	4
1979	13	0	0	0	0	0	0	2	11
1980	20	0	0	0	0	5	7	97	-88
1981	22	0	21	0	0	7	8	121	-93
1982	32	16	27	0	0	8	10	149	-93
1983	47	16	33	0	0	8	11	156	-79
1984	66	16	34	0	0	11	15	211	-121
1985	74	16	47	0	0	14	18	259	-154
1986	78	16	57	444	364	16	20	292	632
1987	116	16	64	444	364	16	21	297	670
1988	116	16	66	444	364	16	21	297	673
1989	117	16	65	444	364	16	21	297	673
1990	117	16	66	444	364	16	21	301	668
1991	117	16	67	444	364	17	21	306	663
1992	117	50	68	444	364	17	22	311	693
1993	117	50	69	444	364	17	22	317	687
1994	116	50	70	444	364	17	22	322	682
1995	116	50	71	444	364	18	23	327	677
1996	116	50	72	444	364	18	23	333	672
1997	116	50	74	444	364	18	24	338	667
1998	116	50	75	444	364	19	24	344	662
1999	116	50	76	444	364	19	24	350	656

Table A-4

McLEAN COUNTY
FISCAL IMPACT REPORT
(amounts in thousands)

	Public Revenues					Public Expenditures			
Year	Share of Local Prop. Tax	Federal Revenue Sharing	Highway Fund	Con-version Tax	Severance Tax	Law Enforce-ment	Social Services	Other Govt.	Net Fiscal Balance
1975	$ 0	$ 0	$ 0	$ 0	$ 0	$0	$0	$ 0	$ 0
1976	0	0	0	0	0	2	2	32	-36
1977	6	0	7	0	0	2	3	38	-29
1978	14	0	8	0	0	3	4	60	-45
1979	24	0	13	0	0	4	6	80	-53
1980	29	0	18	0	0	5	7	95	-60
1981	31	0	21	145	146	6	7	104	225
1982	49	16	23	145	146	6	8	115	249
1983	50	16	25	145	146	6	8	117	250
1984	51	16	26	145	146	6	8	116	253
1985	49	16	26	145	146	6	8	118	248
1986	49	16	26	145	146	6	8	120	247
1987	49	16	26	145	146	7	8	121	246
1988	48	16	27	145	146	7	9	123	243
1989	49	16	27	145	146	7	9	125	241
1990	49	16	28	145	146	7	9	128	239
1991	49	16	28	145	146	7	9	129	238
1992	49	21	29	145	146	7	9	132	241
1993	49	21	29	145	146	7	9	133	240
1994	49	21	29	145	146	7	9	134	240
1995	49	21	30	145	146	7	9	136	238
1996	50	21	30	145	146	7	10	138	236
1997	50	21	31	145	146	8	10	141	234
1998	49	21	31	145	146	8	10	142	233
1999	49	21	31	145	146	8	10	144	230

Table A-5

MERCER COUNTY
FISCAL IMPACT REPORT
(amounts in thousands)

	Public Revenues					Public Expenditures			
Year	Share of Local Prop. Tax	Federal Revenue Sharing	Highway Fund	Con-version Tax	Severance Tax	Law Enforce-ment	Social Services	Other Govt.	Net Fiscal Balance
1975	$ 0	$ 0	$ 0	$0	$0	$0	$0	$ 0	$ 0
1976	0	0	0	0	0	1	1	17	-20
1977	1	0	4	0	0	1	1	19	-17
1978	5	0	4	0	0	1	1	19	-12
1979	10	0	4	0	0	1	1	19	-7
1980	15	0	4	0	0	3	4	62	-51
1981	15	0	14	0	0	3	4	60	-38
1982	19	10	13	0	0	4	5	79	-46
1983	20	10	17	0	0	4	6	82	-45
1984	20	10	18	0	0	3	4	62	-21
1985	17	10	14	0	0	4	5	70	-37
1986	18	10	15	0	0	4	5	75	-40
1987	18	10	16	0	0	4	5	77	-42
1988	18	10	17	0	0	4	5	78	-42
1989	19	10	17	0	0	4	5	79	-42
1990	19	10	17	0	0	4	6	80	-43
1991	19	10	18	0	0	4	6	80	-43
1992	19	13	18	0	0	4	6	79	-39
1993	19	13	18	0	0	4	5	79	-39
1994	19	13	17	0	0	4	6	79	-39
1995	19	13	17	0	0	4	5	79	-39
1996	19	13	17	0	0	4	5	78	-39
1997	19	13	17	0	0	4	5	78	-38
1998	19	13	17	0	0	4	5	78	-38
1999	19	13	17	0	0	4	5	78	-38

Table A-6

CITY OF KILLDEER
FISCAL IMPACT REPORT
(amounts in thousands)

	Public Revenues							Public Expenditures				
Year	Income Property Tax	Revenue Sharing	Users' Fee	Special Assess-ments	High-way Fund	Tobacco Tax	Con-vers. Tax	Streets	Police & Fire	Gen. Oper.	Debt Service	Net Balance
1977	$ 0	$ 0	$ 0	$ 1	$ 0	$ 0	$ 0	$ 0	$ 0	$ 1	$ 2	$ -2
1978	6	0	0	2	0	0	0	0	0	2	2	-4
1979	15	0	1	2	0	0	0	0	1	3	3	11
1980	23	0	1	3	0	0	0	8	39	184	232	-436
1981	25	0	54	232	10	4	0	10	47	221	279	-232
1982	39	10	65	279	12	4	0	12	59	275	347	-284
1983	59	10	81	347	15	5	0	13	65	305	384	-250
1984	83	10	89	384	17	6	0	20	95	444	560	-530
1985	97	10	130	560	25	9	0	24	116	546	680	-535
1986	102	10	160	688	31	11	118	27	131	615	775	-428
1987	103	10	181	775	35	12	121	28	133	626	789	-339
1988	104	10	184	789	35	12	122	28	133	625	789	-319
1989	105	10	184	789	35	12	122	28	133	625	789	-318
1990	105	10	184	789	35	12	122	28	135	634	800	-340
1995	105	36	199	857	38	13	124	30	147	690	872	-367
1999	105	36	214	916	41	14	127	33	158	741	916	-395

Table A-7

CITY OF STANTON
FISCAL IMPACT REPORT
(amounts in thousands)

	Public Revenues							Public Expenditures				
Year	Income Property Tax	Revenue Sharing	Users' Fee	Special Assess-ments	High-way Fund	Tobacco Tax	Con-vers. Tax	Streets	Police & Fire	Gen. Oper.	Debt Service	Net Balance
1977	$0	$0	$3	$11	$0	$0	$0	$0	$2	$ 9	$12	$ -9
1978	1	0	3	12	1	0	0	0	2	10	12	-7
1979	2	0	3	12	1	0	0	0	2	10	13	-7
1980	2	0	3	13	1	0	0	1	3	13	16	-14
1981	2	0	4	16	1	0	0	1	3	14	18	-13
1982	3	1	4	18	1	0	0	1	3	15	19	-11
1983	3	1	4	19	1	0	0	1	3	16	20	-12
1984	3	1	5	20	1	0	0	1	3	16	20	-10
1985	2	1	5	20	1	0	0	1	3	16	20	-11
1986	2	1	5	20	1	0	0	1	3	16	21	-12
1987	2	1	5	21	1	0	0	1	3	16	21	-11
1988	2	1	5	21	1	0	0	1	3	16	21	-11
1989	3	1	5	21	1	0	0	1	4	17	22	-13
1990	3	1	5	22	1	0	0	1	4	18	23	-14
1995	3	1	5	24	1	0	0	1	4	19	24	-14
1999	3	1	6	14	1	0	0	1	5	21	14	-16

Table A-8

CITY OF DUNN CENTER
FISCAL IMPACT REPORT
(amounts in thousands)

	Public Revenues							Public Expenditures				
Year	Income Property Tax	Revenue Sharing	Users' Fee	Special Assess-ments	High-way Fund	Tobacco Tax	Con-vers. Tax	Streets	Police & Fire	Gen. Oper.	Debt Service	Net Balance
1977	$ 0	$0	$ 0	$ 0	$0	$0	$ 0	$0	$ 0	$ 0	$ 0	$ 0
1978	0	0	0	0	0	0	0	0	0	0	0	0
1979	2	0	0	0	0	0	0	0	0	0	0	2
1980	3	0	0	0	0	0	0	1	5	22	28	-53
1981	3	0	7	28	1	0	0	2	8	35	45	-51
1982	4	1	10	45	2	1	0	2	9	41	51	-40
1983	5	1	12	51	2	1	0	2	9	41	52	-32
1984	8	1	12	52	2	1	0	2	10	47	59	-42
1985	9	1	14	59	3	1	0	3	12	58	73	-59
1986	9	1	17	73	3	1	14	3	14	65	81	-45
1987	18	1	19	81	4	1	14	3	14	66	83	-28
1988	18	1	19	83	4	1	14	3	14	66	83	-26
1989	18	1	19	83	4	1	14	3	14	66	83	-26
1990	18	1	19	83	4	1	14	3	14	67	85	-29
1995	17	4	21	91	4	1	14	3	15	73	92	-31
1999	16	4	22	95	4	1	14	3	16	77	95	-35

Table A-9

CITY OF DICKINSON
FISCAL IMPACT REPORT
(amounts in thousands)

	Public Revenues							Public Expenditures				
Year	Income Property Tax	Revenue Sharing	Users' Fee	Special Assess-ments	High-way Fund	Tobacco Tax	Con-vers. Tax	Streets	Police & Fire	Gen. Oper.	Debt Service	Net Balance
1977	$ 0	$ 0	$ 3	$ 12	$ 1	$0	$0	$ 0	$ 2	$ 10	$ 12	$ -8
1978	8	0	3	12	1	0	0	0	2	10	13	-1
1979	20	0	3	13	1	0	0	0	2	11	14	10
1980	31	0	3	14	1	0	0	10	49	232	292	-534
1981	34	0	68	292	13	5	0	10	50	235	297	-180
1982	41	13	69	297	13	5	0	11	53	249	313	-188
1983	44	13	73	313	14	5	0	11	53	248	313	-163
1984	44	13	73	313	14	5	0	11	51	239	313	-152
1985	38	13	70	313	13	5	0	12	56	265	346	-227
1986	39	13	78	346	15	5	0	12	59	278	362	-215
1987	41	13	82	362	16	5	0	14	66	309	402	-272
1988	44	13	91	402	17	6	0	13	65	307	402	-214
1989	45	13	90	402	17	6	0	14	70	328	429	-268
1990	46	13	96	429	18	6	0	14	70	327	429	-232
1995	46	18	95	431	18	6	0	14	69	324	431	-224
1999	46	18	94	418	18	6	0	14	68	318	418	-218

Table A-10

CITY OF WASHBURN
FISCAL IMPACT REPORT
(amount in thousands)

	Public Revenues							Public Expenditures				
Year	Income Property Tax	Revenue Sharing	Users' Fee	Special Assess-ments	High-way Fund	Tobacco Tax	Con-vers. Tax	Streets	Police & Fire	Gen. Oper.	Debt Service	Net Balance
1977	$ 5	$ 0	$ 9	$ 41	$ 2	$1	$ 0	$2	$11	$ 49	$ 62	$ -66
1978	13	0	15	62	3	1	0	4	18	83	104	-115
1979	21	0	24	104	5	2	0	5	25	117	148	-139
1980	24	0	34	148	7	2	0	6	27	127	161	-106
1981	26	0	37	161	7	3	12	6	30	142	179	-111
1982	29	7	42	179	8	3	13	7	33	157	197	-113
1983	30	7	46	197	9	3	14	7	35	165	208	-109
1984	31	7	48	208	9	3	14	7	35	167	210	-99
1985	30	7	49	210	9	3	14	7	36	169	213	-103
1986	30	7	50	213	10	3	14	8	37	172	217	-107
1987	30	7	51	217	10	3	14	8	37	173	219	-105
1988	30	7	51	219	10	3	14	8	38	176	222	-110
1989	31	7	52	222	10	3	14	8	38	179	226	-112
1990	31	7	53	226	10	4	14	8	39	183	230	-115
1995	32	10	57	243	11	4	15	9	42	197	248	-124
1999	32	10	60	154	11	4	16	9	45	209	116	-92

Table A-11

CITY OF BISMARCK
FISCAL IMPACT REPORT
(amounts in thousands)

	Public Revenues							Public Expenditures				
Year	Income Property Tax	Revenue Sharing	Users' Fee	Special Assess-ments	High-way Fund	Tobacco Tax	Con-vers. Tax	Streets	Police & Fire	Gen. Oper.	Debt Service	Net Balance
1977	$ 4	$ 0	$23	$ 99	$ 4	$2	$0	$ 4	$19	$ 88	$111	$ -90
1978	12	0	26	111	5	2	0	4	18	85	111	-62
1979	21	0	25	111	5	2	0	4	18	85	111	-54
1980	28	0	25	111	5	2	0	9	43	200	257	-338
1981	28	0	59	257	11	4	0	9	41	195	257	-143
1982	35	11	57	257	11	4	0	9	44	204	269	-151
1983	36	11	60	269	12	4	0	7	32	151	269	-67
1984	37	11	44	269	9	3	0	9	45	210	343	-234
1985	31	11	62	343	12	4	0	10	47	222	359	-175
1986	32	11	65	359	13	4	0	10	48	227	365	-166
1987	32	11	67	365	13	4	0	11	52	245	387	-203
1988	32	11	72	387	14	5	0	11	52	245	387	-174
1989	32	11	72	387	14	5	0	11	53	249	392	-184
1990	32	11	73	392	14	5	0	11	53	250	393	-180
1995	32	14	76	405	14	5	0	12	56	262	408	-191
1999	32	14	79	306	15	5	0	12	58	271	306	-196

Table A-12

CITY OF HAZEN
FISCAL IMPACT REPORT
(amounts in thousands)

Public Revenues								Public Expenditures				
Year	Income Property Tax	Revenue Sharing	Users' Fee	Special Assess-ments	High-way Fund	Tobacco Tax	Con-vers. Tax	Streets	Police & Fire	Gen. Oper.	Debt Service	Net Balance
1977	$ 1	$0	$ 6	$ 24	$1	$0	$0	$1	$ 5	$22	$ 28	$ -24
1978	3	0	6	28	1	0	0	1	4	21	28	-16
1979	6	0	6	28	1	0	0	1	4	19	28	-11
1980	8	0	6	28	1	0	0	3	12	57	75	-104
1981	9	0	17	75	3	1	0	2	11	50	75	-33
1982	10	3	15	75	3	1	0	3	15	69	99	-79
1983	11	3	20	99	4	1	0	3	16	73	105	-59
1984	11	3	22	105	4	1	0	2	11	54	105	-26
1985	9	3	16	105	3	1	0	3	13	61	114	-54
1986	9	3	18	114	3	1	0	3	14	64	117	-50
1987	9	3	19	117	4	1	0	3	15	69	124	-58
1988	9	3	20	124	4	1	0	3	15	69	124	-50
1989	9	3	20	124	4	1	0	3	15	70	125	-52
1990	10	3	21	125	4	1	0	3	15	71	126	-51
1995	10	4	21	128	4	1	0	3	15	72	128	-50
1999	10	4	21	101	4	1	0	3	15	70	101	-48

Table A-13

BISMARCK SCHOOL DISTRICT
FISCAL IMPACT REPORT
(amounts in thousands)

	Public Revenues			Public Expenditures		
Year	Property Tax	Educational Transfers	Conver. Tax	School Operating	Debt Service	Net Balance
1977	$ 4	$ 50	$0	$ 76	$27	$ -49
1978	13	55	0	74	27	-33
1979	24	53	0	74	27	-24
1980	31	53	0	173	61	-150
1981	32	125	0	167	61	-71
1982	40	121	0	176	65	-80
1983	40	127	0	130	65	-28
1984	42	95	0	181	82	-126
1985	35	131	0	190	85	-109
1986	36	137	0	187	85	-99
1987	36	135	0	201	91	-121
1988	36	145	0	197	91	-107
1989	36	141	0	200	91	-113
1990	36	145	0	200	92	-111
1995	36	155	0	216	97	-122
1999	36	156	0	213	74	-95

Table A-14

CITY OF DICKINSON SCHOOL DISTRICT
FISCAL IMPACT REPORT
(amounts in thousands)

	Public Revenues			Public Expenditures		
Year	Property Tax	Educational Transfers	Conver. Tax	School Operating	Debt Service	Net Balance
1977	$ 1	$ 6	$0	$ 8	$ 3	$ -4
1978	9	6	0	8	3	4
1979	22	6	0	8	3	17
1980	36	6	0	197	3	-224
1981	38	142	0	197	69	-86
1982	47	142	0	215	76	-102
1983	49	156	0	216	77	-88
1984	49	158	0	201	77	-71
1985	43	145	0	225	86	-123
1986	43	163	0	233	88	-115
1987	47	168	0	256	96	-137
1988	49	184	0	248	96	-111
1989	51	179	0	274	105	-149
1990	51	198	0	267	105	-123
1995	51	192	0	265	106	-128
1999	51	189	0	260	102	-122

Table A-15

CITY OF DUNN CITY SCHOOL DISTRICT
FISCAL IMPACT REPORT
(amounts in thousands)

	Public Revenues			Public Expenditures		
Year	Property Tax	Educational Transfers	Conver. Tax	School Operating	Debt Service	Net Balance
1977	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
1978	1	0	0	0	0	1
1979	2	0	0	0	0	2
1980	3	0	0	18	6	-21
1981	4	13	0	17	6	-6
1982	5	12	0	23	9	-15
1983	7	17	0	24	9	-9
1984	10	18	0	36	13	-21
1985	11	26	0	45	16	-24
1986	13	33	43	52	19	18
1987	123	38	43	53	19	132
1988	123	39	43	52	19	134
1989	122	38	44	51	19	134
1990	122	38	43	51	19	133
1995	121	42	44	57	21	129
1999	120	45	44	62	24	123

Table A-16

CITY OF HAZEN SCHOOL DISTRICT
FISCAL IMPACT REPORT
(amounts in thousands)

	Public Revenues			Public Expenditures		
Year	Property Tax	Educational Transfers	Conver. Tax	School Operating	Debt Service	Net Balance
1977	$ 1	$12	$0	$19	$ 6	$-12
1978	4	14	0	19	6	-7
1979	7	14	0	18	6	-6
1980	9	13	0	53	19	-50
1981	9	39	0	54	20	-26
1982	12	39	0	70	25	-44
1983	12	51	0	72	26	-35
1984	12	52	0	54	26	-16
1985	11	39	0	58	27	-35
1986	11	42	0	60	28	-35
1987	11	43	0	60	28	-34
1988	11	43	0	60	28	-34
1989	11	43	0	62	29	-35
1990	11	45	0	64	30	-36
1995	11	46	0	62	30	-37
1999	11	46	0	56	13	-18

Table A-17

CITY OF KILLDEER SCHOOL DISTRICT
FISCAL IMPACT REPORT
(amounts in thousands)

	Public Revenues			Public Expenditures		
Year	Property Tax	Educational Transfers	Conver. Tax	School Operating	Debt Service	Net Balance
1977	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
1978	7	0	0	0	0	7
1979	16	0	0	0	0	16
1980	27	0	0	154	54	-181
1981	29	111	0	217	76	-153
1982	43	157	0	269	94	-163
1983	67	195	0	288	101	-127
1984	99	210	0	475	166	-332
1985	109	345	0	595	215	-356
1986	115	430	356	663	230	8
1987	116	479	363	665	232	61
1988	117	480	364	654	232	65
1989	118	472	365	645	232	78
1990	119	466	366	649	234	68
1995	119	499	373	700	252	39
1999	119	530	380	738	281	10

Table A-18

CITY OF STANTON SCHOOL DISTRICT
FISCAL IMPACT REPORT
(amounts in thousands)

	Public Revenues			Public Expenditures		
Year	Property Tax	Educational Transfers	Conver. Tax	School Operating	Debt Service	Net Balance
1977	$1	$ 6	$0	$10	$ 3	$ -6
1978	1	7	0	12	4	-8
1979	2	9	0	15	5	-9
1980	3	11	0	19	6	-11
1981	3	13	0	19	6	-9
1982	3	13	0	21	7	-12
1983	3	15	0	20	7	-9
1984	3	14	0	23	8	-14
1985	3	16	0	25	9	-15
1986	3	18	0	29	10	-18
1987	3	21	0	31	11	-18
1988	3	22	0	31	11	-17
1989	3	22	0	31	11	-17
1990	3	22	0	31	10	-16
1995	3	22	0	31	11	-17
1999	3	22	0	31	6	-12

Table A-19

CITY OF WASHBURN SCHOOL DISTRICT
FISCAL IMPACT REPORT
(amounts in thousands)

	Public Revenues			Public Expenditures		
Year	Property Tax	Educational Transfers	Conver. Tax	School Operating	Debt Service	Net Balance
1977	$ 5	$ 23	$ 0	$ 54	$11	$-37
1978	14	39	0	94	19	-60
1979	23	68	0	131	33	-73
1980	28	95	0	150	46	-73
1981	29	109	37	168	52	-45
1982	32	121	39	184	59	-51
1983	33	133	40	188	64	-46
1984	34	136	42	186	65	-39
1985	33	134	43	189	67	-46
1986	34	137	43	191	67	-44
1987	34	138	43	193	67	-45
1988	34	140	44	197	70	-49
1989	34	142	44	201	71	-52
1990	35	145	44	205	72	-53
1995	36	153	45	212	75	-53
1999	37	152	46	210	31	-6

Table A-20

DESCRIPTION OF SCHOOL FOUNDATION PROGRAM

The procedure for determining the foundation payment for each district is as follows:

(1) The number of enrolled elementary pupils in ADM is multiplied by the appropriate rate per pupil.

(2) The number of enrolled junior high school pupils in ADM is multiplied by the appropriate rate per pupil.

(3) The number of enrolled senior high school pupils in ADM is multiplied by the appropriate rate per pupil.

(4) The dollar amounts computed in Steps 1, 2, and 3 are totaled.

(5) The product of 10 mills, times the latest equalized taxable valuation of the district, is subtracted from the total in Step 4. (Inasmuch as the foundation-payment rates supposedly represent average costs per pupil in the various kinds and sizes of school, this subtraction practically forces each district to levy at least 20 mills for its general fund if it is to operate a minimum quality school system. In actual practice most districts are not satisfied with minimum quality and hence levy more than 20 mills. The normal maximum general fund levy for all school districts is 24 mills. The voters of the district, however, may authorize an excess levy of any amount above 24 mills for the general fund. They may also authorize levies for special funds, including public recreation, junior college, school library, two-way communication systems in buses, and special education for exceptional children.)

(6) If the district is receiving Federal impact assistance under Public Law 81-874, the amount of the state group rate represented by the 21-mill county equalization fund levy multiplied by the number of students for whom the district received Public Law 81-874 impact aid is subtracted from the net amount after the 20-mill subtractions in Step 5.

(7) Transportation reimbursement for bus-type transportation is added to the net amount computed in Step 5 or Step 6, as the case may be. This payment is based on daily mileage of each bus, which is defined as twice the distance traveled for a single trip. The reimbursement rate for a bus with a capacity of less than 17 pupils is 12 cents per mile and for a bus with a capacity of 17 or more pupils is 26 cents per mile. In addition, a district operating buses with capacities of 17 or more pupils also gets 15 cents per pupil per day, except that no payment is made for any pupil living within an incorporated city with a population in excess of 250 and an area of two square miles or more.

The millage rate for the county equalization fund of each county is computed by the State Superintendent of Public Instruction from the state average and county average sales price assessment ratios determined annually by the State Tax Department. If the average sales ratio for a county is the same as the state average, the tax rate for the county school equalization fund is set at 21 mills. If the county average sales ratio is either more or less than the state average ratio, the millage rate is changed from 21 mills to whatever millage rate would produce the same amount of revenue that 21 mills would produce if taxable property were assessed at the state average ratio.

This procedure was adopted to discourage competitive underassessment, because the amount of the state's contribution to the county equalization fund is several times larger than the county's contribution and the smaller the county's contribution the larger the state's contribution must be. (Section 15-40.1-01 to Section 15-40.1-19, NDCC, as amended by S. L. 1973, Chapter 153, and S. L. 1975, Chapter 131, 157, and 158)

The School Foundation Program of all 53 counties in the state totaled slightly over $72 million annually in FY 1974 and FY 1975 of which more than $58 million or 81 percent came from the State General Fund. The Foundation Program is expected to increase to nearly $86 million in FY 1976 of which 84 percent will come from the State General Fund and to nearly $93 million in FY 1977 of which 85 percent will come from the State General Fund. See Table on next page.

CONTRIBUTIONS TO SCHOOL FOUNDATION PROGRAM FROM COUNTY EQUALIZATION FUNDS OF ALL COUNTIES AND FROM THE STATE GENERAL FUND, FISCAL YEARS 1974 TO 1977

Fiscal Year Ending June 30	County Equalization Fund of All Counties	State General Fund	Total School Foundation Program
1974[a]	$13,748	$58,364	$72,112
1975[a]	13,958	58,495	72,453
1976[b]	13,968	71,888	85,856
1977[b]	13,968	78,627	92,595

[a] Data Supplied by State Department of Public Instruction
[b] Estimates by the author

Source: Stanley A. Voelker, Fred R. Taylor, and Thomas K. Osterson, Ibid.

Section Six: Utah

STRATEGIES FOR ALLEVIATION OF SOCIOECONOMIC IMPACTS IN UTAH COMMUNITIES

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CHAPTER I

THE SETTING: MINERAL PRODUCTION FORECASTED TO ACCELERATE IN UTAH

Total personal income in Utah has risen from $1.8 billion in 1960 to $3.4 billion in 1970, or 93 percent. By 1975, personal income rose to $5.9 billion, up 72.6 percent since 1970. During these five years, wages and salaries in mining rose from $128.8 million to $207 million, or 62 percent. Farm income climbed to $95 million, or by 23 percent, and wage and salary earnings from manufacturing activity jumped to $781 million, up 72 percent from 1970.

The historical peak of coal production, shown in Figure 1, was exceeded in 1976. Coal production is expected to rise from 7.7 million tons in 1976 to 24 million tons in 1980 and to 39 million tons in 1985, according to the FEA Office of Project Operations, March, 1977. The production will be almost entirely from underground mines, since there is only a trace of surface mining in the state. The value of current production was $96.6 million in 1975.

Increased coal production will create thousands of new jobs. Additional new jobs have been projected by the U.S. Labor Office in Utah, as follows: underground mining, 7,633; surface mining, 634; construction of electric power plants, 6,200; and operation of electric

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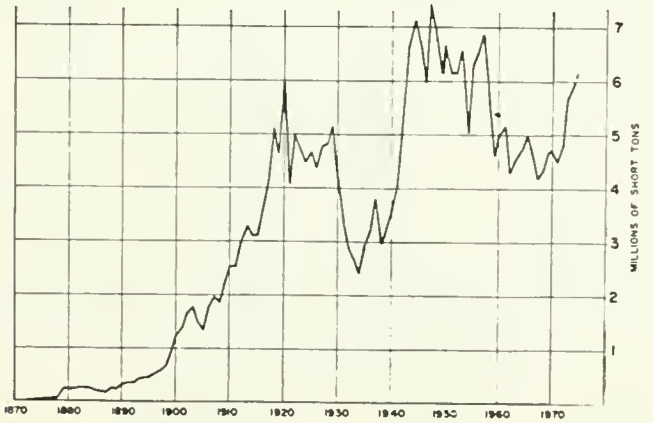
Figure 1
UTAH COAL PRODUCTION 1870 - 1974



Source: Keystone Coal Industry Manual

power plants, 641. These total 15,108 more workers in these energy developments in ten years.

Future fuel-related projects are shown in Figure 2. These are projects based upon surveys of energy development companies, as listed in U.S. Bureau of Mines Information Circular, IC 8719 (1976).

The state has mapped and explored lands containing 39.3 billion tons of coal, of which 24.3 billion tons are measured, indicated, or inferred. The sulphur content is medium to low in the important fields in the state. Most of the state's reserve will be mined underground, but some newly planned mines will produce substantial coal from surface operations.

The dollar volume of mineral production is shown in Table 1. Mineral production totaled $938.6 million in 1975, lead by petroleum production, $310 million, and copper production, $231.1 million.

The proposed energy developments in Utah over the next decade are shown in Figure 2. These are based upon industry surveys taken by the U.S. Bureau of Mines (IC 8719, May, 1976). Economic and environmental factors may

---

Table 1

VALUE OF MINERAL PRODUCTION IN UTAH
(thousands of dollars)

PRODUCT	1960	1965	1970	1972	1973	1974	1975p
Copper	$139,988	$183,470	$341,282	$265,735	$305,341	$356,497	$231,059
Gold	12,889	14,921	14,849	21,237	30,035	40,719	30,548
Silver	4,329	7,287	10,678	7,245	9,257	15,109	12,105
Lead	9,219	11,762	14,175	6,224	4,474	4,729	5,087
Zinc	9,153	8,102	10,628	7,758	6,942	9,060	14,741
Iron Ore	23,862	14,229	13,837	12,708	13,581	14,016	12,746
Coal	31,458	31,799	34,472	42,868	61,566	71,699	96,600
Petroleum	103,008	66,045	65,603	80,773	117,743	279,858	310,012
Natural Gas	9,187	8,952	6,460	6,711	8,159	20,815	35,274
Salt	3,092	3,591	3,638	4,955	6,913	7,321	8,382
Sand & Gravel	6,182	10,464	10,439	17,071	15,986	12,985	17,194
Lime	2,672	3,470	3,756	4,216	3,804	4,911	4,395
Stone	3,087	4,552	4,320	6,005	6,318	6,410	7,346
All Other	73,257	62,947	67,861	59,303	84,091	107,916	153,167
TOTAL	$431,383	$431,591	$601,998	$542,809	$674,210	$952,045	$938,656

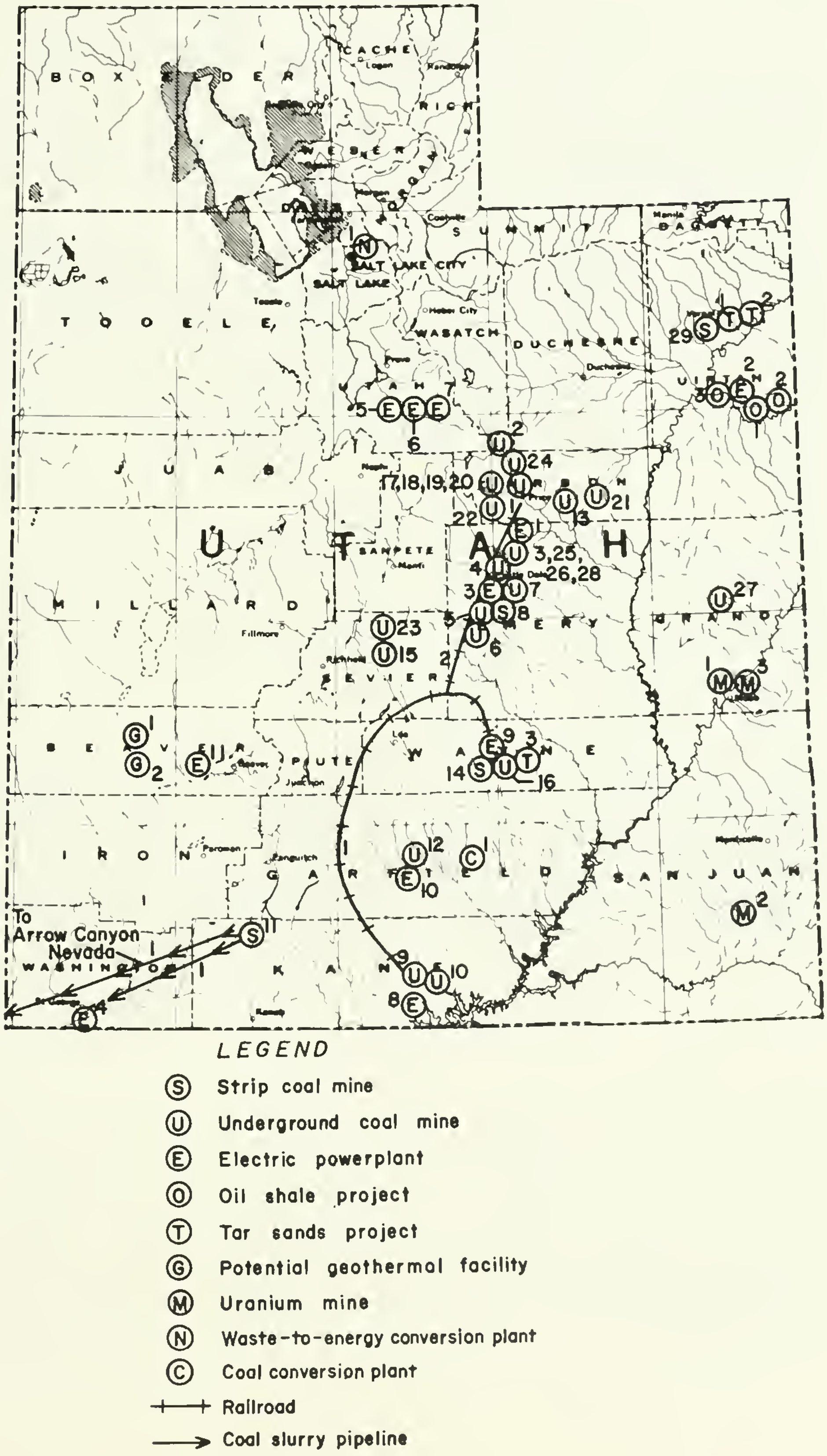
N.A. - Data not available.

p - Preliminary data - Subject to revision.

Prepared by UTAH FOUNDATION from reports of the U. S. Bureau of Mines.

Figure 2

FUTURE FUELS-RELATED PROJECTS IN UTAH



Source: *Information Circular No. 18719*, Bureau of Mines, U.S. Department of Interior.

impede the full development of these projects. Nonetheless, the survey foreshadows substantial development of energy resources throughout the state.

It is clear that the state is on the verge of rapid employment and population growth in areas of energy development. This is not to say that all of the projected expansions will occur. Economic factors change, and environmental considerations may thwart otherwise viable developments.

The developments which do take place will cause stresses and strains on both public and private services. All too often, the services provided by support activities are taken for granted. During periods of moderate growth, it has appeared that basic industrial growth naturally engenders health, educational, recreational, police and fire protection services, as well as retail trade and professional services in the private sector. And, when economic growth is gradual or occurs near a metropolitan city, no particular stress is felt. However, typical energy developments take place in rural areas. The issue addressed in this report is how the financial capabilities of local government in Utah may be buttressed to provide assurance that the needed services and capital improvements are provided. There are other dimensions of the problem created by accelerated growth in local areas.

The social, cultural, and environmental problems may not be resolved by financial remedies alone. However, these problems are often mitigated when adequate revenues are generated to provide adequate public services, which are needed to provide an adequate social and physical environment required for a good standard of living.

CHAPTER II

STATE AND LOCAL FINANCES AND THE PROBLEM OF COMMUNITY IMPACTS

State and local governments in Utah received $1,144.8 million in general revenues in 1974-75. The statistics which are the most recently released by the Bureau of Census show that the percentage of revenues by levels of government were federal, 27 percent; state, 45 percent; and local, 28 percent. For all fifty states, the shares of state and local government revenues were federal, 21 percent; state, 42 percent; and local, 37 percent. The western states, such as Utah, receive above average distribution of federal funds due to (1) the large amounts of federal land, (2) federal mineral lease royalties, and (3) the weight given to land areas in distribution formulas.

STATE EXPENDITURES

State general spending was $809.3 million in 1974-75. Direct expenditures, excluding $262.0 million in governmental transfers, were $547.4 million. The state directed the major portion of spending for two categories: highways, $93.0 million, and education, $225.1 million.

Other state spending was for the following purposes: natural resources, $35.6 million; welfare, $81.5 million; health and hospitals, $44.6 million; financial administration, $12.4 million; employment security, $11.5 million; general control, $7.4 million; police, $6.0 million; and corrections, $10.2 million. These expenditures do not include state aid for education and other transfer payments, which were distributed as follows: schools, $223.1 million; counties, $22.6 million; municipalities, $6.9 million; and unallocable, $9.0 million.

STATE REVENUES

The revenues received by state and local government in Utah, after taking account of intergovernmental transfers, were $556.1 million, or 48.6 percent for state government, and $558.7 million, or 51.4 percent for local government. The state receives revenues from a variety of sources. These sources include tax revenues, federal aid and revenue-sharing funds, royalty income from state and federal lands, and interest income from investments.

TOTAL REVENUES FOR STATE GENERAL PURPOSES

Utah state government received a total of $786.7 million in general revenues in FY 1974-75. The sources were: intergovernmental revenue, $265.8 million; tax revenues, $398.8 million; charges, $78.4 million; and miscellaneous, $43.7 million.

Intergovernmental revenues were received from the federal government, $260.2 million, and from local government, $5.6 million. The federal government revenues were public welfare, $56.0 million; highways, $58.7 million; education, $78.1 million; general revenue-sharing, $12.1 million; health and hospitals, $5.9 million; natural resources, $7.2 million; and all other, $30.5 million.

Revenues from charges were from education, $49.1 million; hospitals, $23.2 million; natural resources, $1.4 million; and miscellaneous other charges, $3.2 million.

Miscellaneous general revenues were derived from rents and royalties, $8.3 million; interest earnings, $17.6 million; donations, $15.8 million; and all other, $2.1 million.

TAX REVENUES

Utah state tax collections were $398.8 million in 1974-75. Major tax sources were gross receipts taxes, $174.4 million; individual income taxes, $104.9 million; corporate income taxes, $18.0 million; severance taxes, $6.2 million; motor fuels, $48.4 million; motor vehicle registration fees, $13.7 million; tobacco excises, $7.0 million; insurance premium taxes, $8.7 million; alcoholic beverages, $4.3 million; business licenses, $2.5 million; and hunting and fishing licenses, $4.5 million.

Individual income taxes are levied on taxable income, as defined for federal tax purposes, with an upward adjustment for state income taxes paid and a downward adjustment for federal income taxes, interest on U.S. government securities, and designated retirement income. The rates for a joint return vary from 3 percent for the first $750 taxable income to 8 percent for income over $7,500. The distribution is to the uniform school fund for the use of local school districts.

Corporate income taxes are imposed on the net income allocable to the state after federal taxes. The tax rate is 6 percent of net taxable income. The distribution of revenues is to the uniform school fund.

Gross receipts taxes are imposed at a rate of 4 percent on the sale or use of tangible personal property, utility services, admissions, meals, hotel, motel, laundry, and dry cleaning services. The rate is 4 percent of purchase price, with the revenues distributed to the state general fund. There is also a local option sales tax which may be levied at a rate of 3/4 of 1 percent on the purchase price, with the revenues distributed to the local units imposing the tax.

Cigarettes are taxed at rates of 8 and 16 cents per package, depending upon the weight. The monies are distributed to the state general fund.

Alcoholic beverages are taxed at various rates, with the tax on beer at $3.10 per barrel and the monies distributed to the state general fund. The retail sale of wines and distilled liquors is taxed at 8 percent of purchase price, with the money flowing to the school lunch program. Profits from the operation of the state monopoly on liquor sales are distributed to the state general fund, with appropriations totaling $3 million currently being made to cities and counties for various purposes.

Insurance premium taxes are imposed at 2¼ percent, with credits for property taxes and examination fees paid in Utah. The money is distributed to the state general fund, with the exception that ½ of the tax on fire insurance premiums and 10 percent of the tax on life insurance premiums are for firemen's pensions.

Motor vehicle registration fees are based on the weight of the vehicle. The rate of the tax on private automobiles is $5 and on commercial vehicles varies from $7.50 to $585. The first $2 million a year is distributed to cities and counties after administrative expenses, and the balance is distributed 3/4 to cities and counties and 1/4 to the state highway fund.

Motor vehicle fuels taxes are levied at 7 cents per gallon, with the revenues being distributed to the highway construction and maintenance fund. A mine occupation or severance tax is imposed on the gross value of metalliferous ore sold, with a $50,000 per year exemption. The rate is 1 percent, with the revenues distributed to the state general fund. Gas and oil occupation taxes are imposed on the gross value of gas and oil sold, with a $50,000 exemption. The rate is 2 percent of value, with the revenues distributed to the state general fund.

STATE DEBT

The state indebtedness was $88.9 million at the end of FY 1974-75. The short-term debt was a minimal $25,000. The general obligation long-term debt was $25 million, and the non-guaranteed long-term debt was $63.9 million. The bulk of the long-term debt, namely $60.8 million, was for state institutions of higher education, which was mainly for college and university dormitories and other revenue-producing investments.

CASH AND SECURITY HOLDINGS

Cash and deposit for other than insurance trust systems totaled $162.3 million at year end 1974-75. The securities invested in other than insurance trust systems totaled $71.3 million, which was invested in federal securities, $28.1 million; state and local securities, $772,000; and other, $42.5 million.

AIDS TO LOCAL GOVERNMENTS

The State of Utah provides a substantial amount of financial assistance to local governments. Local aids totaled $262 million in 1974-75; or 32.4 percent of total state general expenditures.

Among the ten WGREPO states, Utah was exceeded by three states, New Mexico, Arizona, and Colorado, in the proportion of state assistance to local government. The State of Arizona provided the greatest amount of assistance, namely 44 percent of total state general expenditures.

Intergovernmental revenue from state and federal sources for local government purposes was $277.8 million in 1974-75. Federal sources totaled $47.2 million, and state government sources were $230.6 million. The distribution of the total general aid revenues was school districts, $215.8 million; counties, $37.3 million; municipalities, $29.4 million; and special districts, $.6 million.

STATE STRATEGIES TO ALLEVIATE SOCIOECONOMIC IMPACTS IN UTAH

The State of Utah is on the threshold of a boom in energy developments principally from coal production and related activities, such as power plants and slurry lines. Coal production is variously estimated to increase threefold to sevenfold by 1985. If the price of oil rises substantially and oil shale becomes economically viable as a source of petroleum products, an additional thrust will be given to energy developments in the state.

The initial costs of rapid energy development in remote areas is strikingly depicted by the scenario depicted by the Office of Legislative Research in regard to the Kaiparowits project. It was estimated by Mr. Reed Searle, Research Analyst, that the capital costs of a new community located near the Kaiparowits project would be $51.9 million, and the capital costs for other communities and the county in the area would be an additional $35.2 million. The projections of public expenditures for the town, school districts, and county, as compared to estimated revenues, is shown in Appendix Figure A-1 and Table A-1. The growth in local government expenditures will outstrip all local government revenues using the current tax base by a ratio of about 2:1 over a fifteen-year period. A shortfall of this magnitude would have to be made up by federal and state aids and borrowing.

The response of Utah tax system to rapid energy development is impeded by constitutional restrictions that the state must not provide tax sharing or state aid for the assistance of local units of government other than school districts. The constitutional restrictions make it additionally difficult to advance effective financial strategies to support public expenditures in the state.

Another complicating factor springs from the historical pattern of land ownership, whereby 38.3 million acres, out of a total acreage of 52.7 million, are under federal ownership. In 25 counties, federal ownership exceeds one-half of all of the acreage.

On the positive side of the equation, the federal government has recently authorized an increase in federal mineral royalty rates and has increased the percentage of mineral royalties received to be shared by the federal government with the state to 50 percent of the total. Furthermore, the federal government has enacted PL 94-565, which will yield to county governments $7.4 million in additional revenues each year, which may be used for general county purposes.

The amount of state lands and the revenue yields from state land sales or interest on investments from state land which has been sold is not as great in Utah as in many of the other western states. The revenues which are received are channelled into the state uniform state fund almost entirely.

The state has enacted a variety of measures to provide more revenue, such as the local sales tax, as well as providing a well financed school aid program, particularly for operating expenses of local school districts. In addition, the state has liberalized bonding provisions at the local level, has provided for permissive pre-payment of sales and use taxes by industry, and has enacted legislation over the years to enable counties to create within them special districts, which are able to undertake most of the traditional functions of county and city government.

The state has not enacted a severance tax on non-metalliferous mining activities, although the tax on such minerals is under active consideration. An additional potential source of impact aid funds is $78 million in oil shale bonus payments, which is being held in escrow by the court, pending the decision as to whether the lands involved were state or federal lands. Depending upon the outcome of the court case, the state will receive funds ranging from the low figure of $29 million and the high figure of $78 million.

The state government experienced a general fund surplus of $16.2 million in 1974-75, $18.4 million in 1975-76, and an estimated $5.4 million in 1976-77. The needs of impacted areas cannot be satisfied from general fund surpluses alone. The basic problem, as illustrated in various research studies, appears to be revenue shortfalls in cities and towns which are recipients of the increased valuations of mineral production or related activities and also the capital expenditure programs, which are needed to provide adequate educational facilities as well as roads, streets, sewer and water projects, and other capital infrastructure will also require attention.

A Table of alternative methods of providing local governmental services and the extent of use is shown next. These mechanisms are particularly important in Utah because of the restrictions on state aid to local general purpose government.

ALTERNATIVE METHODS OF PROVIDING SERVICES

Citation	Intent of Law	Extent of Use
Article XIV, Sec. 8 Special District Amendment	Permits establishment of and bonding for special districts to provide certain services.	Legislation implementing amendment enacted 1975.
10-16, UCA 1953 Municipal Improvement District Act	Provides authority to municipalities to create special districts and assess costs to improve areas within the municipalities.	Widely used to improve streets, sidewalks, and recreational facilities.
11-13, UCA 1953 Interlocal Cooperation Act	Gives to political subdivisions or public agencies of the state the power and authority to exercise jointly any powers, privileges, or authority they are able to exercise singly. Requires that agreement specify duration, organization, and powers delegated, purpose, manner of financing the joint undertaking, establishment of budget for the joint undertaking, and provide for terminating the agreement and disposing of property jointly held.	Widely used in various forms - mostly contracts.

Citation	Extent of Use
11-23-1, UCA 1953 Special Services District Act Passed to implement constitutional amendment enacted in 1974. Authorizes a county or municipality to establish service districts and to bond (includes authority for taxpayers, e.g., energy developers, to guarantee bonds) for the purpose of providing water, sewer, drainage, flood control, garbage, hospitals, transportation, recreation, and fire protection.	Utilized in Emery County in 1976. See Chapter III for details.
17-6, UCA 1953 Water & Sewer District Acts Basic statutes authorizing water and sewer districts.	Widely used.
17-1, UCA 1953 County Improvement District Act Similar to municipal improvement act.	Widely used.
17-29, UCA 1953 County Service Area Act Permits a county to establish areas within unincorporated territory for services not common to the entire county and to establish a system of payment for the services. Purpose of the act was to provide a mechanism for reducing "double taxation" by assessing service costs against those who receive them and avoiding the assessment of those costs against residents of unincorporated municipalities. The act has not proved successful for that purpose.	In use primarily to provide recreational facilities, e.g., swimming pools in unincorporated areas.

FINANCING LOCAL GOVERNMENT

Citation	Intent of Law	Extent of Use
11-9, UCA 1953 Local Sales Tax	Local option sales tax - now at 3/4% (1/4% along Wasatch Front for transportation).	In use in almost all counties-not in Iron (although it was previously and still is in Cedar City).
27-21-138, UCA 1953 B & C Road Fund Distribution	Revenue from motor vehicle registration distributed to local governments for B & C roads.	
27-13-7, UCA 1953 Collector Roads	1/7 of motor fuels tax distributed to counties and participating cities for collector roads.	
32-1-24, UCA 1953 Liquor Profits Distribution	Liquor profits distributed to local governments for liquor control and other local government purposes.	
Chpts. 133, 181, 182, 1975 Session Laws Prepaid Sales & Use Tax	Prepayment of sales and use taxes by energy development companies to provide funds for roads and school construction.	Not yet in use, but likely to be.

Citation	Extent of Use
11-14, UCA 1953 Municipal Bond Act Authorizes cities, towns, counties, school districts, public transit districts, special improvement districts, metropolitan water districts, and water conservancy districts to issue bonds, to pay the cost of acquiring, improving, or extending improvement facilities or property which the local unit of government is authorized to acquire. Specifies types of bonds which may be issued, procedures involved in holding a bond election, manner of issuing bonds and of levying taxes for the payment of interest and principal on bonds. 1975 amendments to the act clarified the requirement for elections on bond issues to state that elections were not required for any type of bond for which the constitution does not require an election. It also authorized issuance of bond anticipation notes.	All local bonding is conducted under this act.
Chpt. 164, 1975 Session Laws Building Schoolhouses Authorizes school districts to enter into lease purchase agreements if the district cannot meet building needs for maximum bonding and taxing authority.	Not yet in use.

Note: This listing of alternative services is based upon research findings of Richard P. Lindsay, Director, Bureau of Community Development, University of Utah.

THE SEVERANCE TAX QUESTION IN UTAH

The state has levied severance taxes since 1937 on gas and oil and a variety of minerals, including gold, silver, copper, lead, iron, uranium, and other valuable metals. The tax rate on oil, gas, or other hydrocarbons produced from a well is 2 percent of the value at the wellhead. The tax on extracting ores is 1 percent of the gross receipts. In order to eliminate a tax on small producers, a $50,000 exemption is granted. The severance tax receipts climbed from $5.8 million in fiscal 1975 to $11.3 million in fiscal 1976. The receipts comprise 4.9 percent of general fund receipts.

The severance tax has not been expanded to non-metalliferous minerals, including coal, clay, gypsum, salt, sand, gravel, stone, phosphate rock, and others. The total value of this type of mineral production was $136.5 million in 1975, with coal accounting for 70 percent of the total value.

It has been estimated by the legislative service bureau that a 1 percent severance tax on all non-metalliferous minerals would bring in about $1.4 million a year, of which $1 million a year would be from coal production. Since coal production is forecasted to rise from 7 million tons a year currently to a range of 17 to 40 million tons a year in 1985, the receipts of a severance tax would triple at a minimum in ten years. These forecasts are based upon current prices, and the increase would be even greater if the price of coal should rise during the next decade.

There has been considerable interest evidenced in the state in support of a severance tax on coal and other non-metalliferous minerals. Governor Rampton has been on record in support of a severance tax, as have other leaders in the state. The presentations to an interim study committee from Utah coal producers have opposed a severance tax for several reasons. The principal argument in opposition to a severance tax at this time has been the alleged inferior market position of Utah coal versus coal produced in Montana and Wyoming. The higher heat content of Utah coal is more than offset by higher production costs and higher freight rates due to low volume of shipments. In support of their arguments, the industry representatives pointed out that there is over a million tons of coal currently stockpiled in Utah because of the small margin between costs of production and market price. The factors cited reduced Utah coal marketing penetration to the east, as evidenced by the fact that 85 percent of the coal produced during the first quarter of 1976 was sold in Utah or to consumers in states west of Utah. Industry spokesmen point out that a severance tax would create a negative impact on coal production in Utah which is already flagging.

Over 50 percent of the metallurgical coal, which totaled 1.7 million tons in 1975, and 47½ percent of the steam coal, which totaled 4.9 million tons, were exported for use outside of the state. The export of Utah coal in primary and secondary forms (such as electrical sales) is estimated to total 4.3 million tons, or 65 percent of total consumption.

Consequently, a severance tax imposed in Utah, if shifted forward to final consumers, would be paid two-thirds outside of the state and one-third inside of the state. On the other hand, an increase in cost due to severance tax might reduce the salability of Utah coal in external markets and result in a reduction in total production.

COMMENTS

The State of Utah has a well balanced tax structure which utilizes individual and corporate income taxes and gross receipts taxes for the bulk of the state revenues. The state's general obligation long-term debt of $25 million is not large in the context of direct state expenditures of $547 million a year. The state receives over $3 million a year from the sale of state lands and mineral royalties received, which are in turn invested in cash and securities. The revenues flowing from interest on the investments, which is currently about $3 million a year, are deposited in the uniform school fund or channelled to the appropriate public institution. Unlike Wyoming and New Mexico, the State of Utah does not have large amounts of invested funds in permanent trust funds. Because of this fact, a possible avenue of financing local community impacts is precluded.

Another important factor which precludes substantial state aid to local units of government other than schools is the stipulation in the constitution that aid or tax-sharing for counties, cities, towns, or other municipal corporations is prohibited. While there is some state tax-sharing with these local units of government, a strict interpretation of the constitution and/or a court challenge in effect makes it unlikely that any large amount of assistance can be rendered to local government.

The state does provide substantial assistance to school districts primarily through the mechanism of the uniform state school fund. Over the 1976-77 school year, it is estimated that state funds will provide 73.3 percent of the total costs of maintenance and operation of local public schools. On the other hand, state aid for capital outlay and debt service has been on the order of 11 percent of such expenditures in recent years. The capital outlay subcommittee of the education committee of the legislature has reported a critical school building need in the state of approximately $105 million. The growth of enrollments to 1981 indicates an additional *need of $90 million for additional classrooms. The special committee recommended an immediate increase in aid for capital expenditures from the current $4.2 million to $12.4 million a year during the next fiscal year. To the extent that the assessed valuations in areas of energy development are not rising as rapidly as pupil enrollments, the impacted areas will receive added support under the proposed capital aid program.*

The state does not impose a severance tax on coal, despite the fact that most of the other western coal-producing states do impose sizable severance taxes. It would appear that a modest severance tax could be imposed without a sizable impact on production, particularly in light of the increases being recommended in severance taxes in competing states.[1]

A more lucrative source of mineral production monies is the receipts from the federal government based on the leasing of public lands. The annual receipts are shown in Appendix Table A-2, which shows an increase from 1968 to 1975 of from $3 million to currently $5.7 million to the state. The projections of payments of federal royalties from coal production in Utah under the old royalty schedule and new royalty schedules are shown in Table A-3 in the Appendix. The royalty income to the state will increase because of two factors: 1) the increase in federal mineral royalties and 2) the increase in a state's share from 37½ percent to 50 percent. The forecast by the legislative service bureau indicates that over the next ten years the new royalty schedule and increased shares will result in a total of $53.9 million from coal production. The state currently allocates the mineral lease monies from all sources on the basis of 40.5 percent to local education, 40.5 percent to state higher education, and 10 percent for county road purposes.[2] *Since the state cannot provide a sharing of taxes with local units of government other than schools, it would seem that at a minimum the one-third increase in royalty payments should be channelled to counties, cities, and towns. A problem exists, however, in allocating mineral lease monies to counties, since the federal legislation, namely PL 94-565, provides that mineral lease monies which flow to counties must be deducted from receipts from in-lieu tax payments on federal lands. Since Utah expects to share $7.4 million from the in-lieu tax payments, these monies would be diminished dollar for dollar from any mineral lease or grazing fees which are channelled to the counties. Because the in-lieu tax payments flow almost entirely to county governments and, in fact, must, under federal law, the appropriate strategy for the state is to divert any mineral lease monies from going to counties, since the funds would be merely*

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[1] *It should be noted that a coal severance tax should not affect the leading natural resource companies such as Kennecott Copper and Geneva Steel Co.*

[2] *The remainder, namely 9 percent, is allocated for university research and the state geological survey.*

used as a credit against the in-lieu tax payments. Since counties receive the addition to the tax base from energy developments, whereas many cities and towns do not, the allocation of mineral royalty receipts to cities, towns, and villages appears to be good financial practice in any case. It is estimated that the increase in mineral royalties to the state will be about $2 million a year, which could be freed up for local government. Using fiscal 1976 as a basis, the allocation would be education, $5.2 million; county roads, $576,000; and cities and towns, $2 million.

Lastly, the $78 million which has been paid on oil lease bonuses is now impounded in the courts, pending a decision as to whether the lands involved are state or federal. If the lands are held to be federal lands, the state would get 37½ percent of this amount; if they are state lands, the state would get the entire $78 million, to be used for state aid to local schools. The legislature is directed by the federal act, PL 94-579, to give priority to the communities impacted by federal mineral development. Therefore, as soon as the court case is resolved, the state government will have between $29 million and $78 million, which can be loaned or granted to impacted areas, if the lands are held to be federal, or $78 million for local education if they are held to be state lands.

This section of the report cited alternative methods of providing services to local governments. The state has enacted various statutes which provide financial assistance to local governments, including a share of motor vehicle registrations, motor fuels taxes, and liquor profits. Various other mechanisms, such as prepayment of sales and use taxes by energy development companies, special service districts, and the Interlocal Cooperation Act, which allows political subdivisions to exercise joint powers in financing joint projects. These mechanisms will be commented upon more fully in the sections of the report dealing with local government.

ADDENDUM

LEGISLATURE CHANGES DISTRIBUTION OF FEDERAL MINERAL LEASE REVENUES

The modification in the distribution of state-shared federal mineral lease revenues was accomplished by the passage of S 138, 1977 General Session. The new statute provides the following distribution of the mineral lease monies for fiscal year 1977-78: (1) the amount of $2,634,400 to institutions of higher education with a majority of the funds for research, educational, or public service programs of benefit to communities socially or economically impacted by the development of federal minerals; (2) the amount of $238,700 to the State Board of Education; (3) the amount of $180,000 to the Utah Geological and Mineralogical Survey for Research; (4) the amount of $195,000 to the Water Research Laboratory for research; (5) the amount of $1.5 million to the school building program; (6) the amount of $1 million to the water revolving construction fund; (7) the amount of $3.2 million to the uniform school fund.

The distribution for the fiscal year 1978-79 and thereafter will be as follows: (1) 32½ percent of all deposits to the community impact account to be allocated by the Community Impact Board for loans and grants to communities impacted by natural resource development in the state or to state agencies for alleviation of impacts; (2) 33½ percent of all mineral lease monies to the Board of Regents for allocation to institutions of higher learning; (3) 2¼ percent of all deposits to the State Board of Education for education research and experimentation; (4) 2¼ percent of all mineral lease monies to the Utah Geological and Mineralogical Survey; (5) 2¼ percent of all monies to the Water Research Laboratory at Utah State University. The remaining 27¼ percent of the revenues would be allocated as determined by the state legislature.

CHAPTER III

CASE STUDIES OF COMMUNITIES IMPACTED BY ENERGY DEVELOPMENTS

This section of the report sets forth the findings of two recent studies which explore the increased public capital and operating service needs compared with expected revenues in areas of accelerated energy developments. A shortfall in revenues or deficit is shown in some instances. Local governments, however, cannot engage in deficit financing, and therefore a deficit must be adjusted in the real world by (1) additional state or federal assistance, (2) a relaxation of local fiscal restrictions, (3) creation of special districts, or (4) additional local taxing authority.

In the fall of 1976, after completion of the Emery County report, seven incorporated towns and two unincorporated areas voted to create a Special Services District. The district was created by resolution of the county board. The unincorporated area includes two 430-megawatt power plants, with a valuation of $39 million out of a total assessment of $43 million in the district. (See comments at end of this chapter.)

A CASE STUDY OF EMERY COUNTY, UTAH[1]

Emery County is located approximately 150 miles southeast of Salt Lake City. It covers 2,844,580 acres of land, of which 81 percent is federally owned, 10 percent is stateowned, and 9 percent is privately held. It is characterized by mountains in the west and desert land in the south and central portions; its eastern boundary is the Green River.

Traditionally, the county's mainstays have been coal mining and farming. From 1950-1970, the county experienced steady economic decline as coal mines were abandoned and as machinery replaced farm labor. Total employment dropped from 2,000 in 1950 to 1,600 in 1970. Mining and agricultural employment as a percent of total employment is shown below.

	1950	1960	1970
Agriculture	786 (38%)	400 (23%)	243 (15%)
Mining	424 (21%)	382 (22%)	128 (8%)
Construction	86 (5%)	86 (5%)	236 (15%)

Population decline has paralleled employment decline.

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[1] This case study is entirely composed of excepts from the FEA-sponsored report by Denver Research Institute entitled *Analysis of Financing Problems in Coal and Oil Shale Boom Towns*, July, 1976.

	1950	1960	1970
Population	6,304	5,546	5,137

The county contains eight incorporated communities.

	1970 Population
Castle Dale (county seat)	541
Cleveland	244
Elmo	141
Emery	216
Ferron	663
Green River*	1,033
Huntington	857
Orangeville	511

These communities service only the basic needs of the surrounding population. Both public and private services are limited. The town of Price, located 20 miles north of Huntington in Carbon County, provides most of the retailing, medical, and professional service needs of Emery County residents. There is no hospital in the county, although Castle Dale has a county-owned clinic and one doctor.

Public Finance

Growth in assessed valuation with beginning construction of Utah Power and Light's Huntington plant are shown below:

	1970	1973	1975
Emery County Valuation	$10,188,282	$23,074,771	$49,247,952

The mining and power plant share of valuation in 1975 is $37,753,771, or 77 percent.

Revenues for the county and the school district in 1973 and 1974 were:*

	1973	1974
County	$1,009,200	$1,281,790
School District	$1,890,402	$2,144,399

In 1974, the county's revenues were generated 32 percent from ad valorem taxes, 24 percent from federal funds (including 9 percent general revenue-sharing), 29 percent from state sources, and 15 percent from miscellaneous fees and taxes. A three-fourths percent local sales tax is returned to the jurisdiction of origin, but it contributed only 1 percent of the county revenues.** School district revenues were generated 37 percent locally, 56 percent state, and 7 percent from federal sources.

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*County and school district boundaries are co-terminous.

**The towns receive substantial revenues from this tax. Huntington, for example, collected $12,700 in sales tax in 1974. This amounted to 13 percent of the town's total revenues.

County expenditures in 1974 were as follows:

General Fund		$455,364
General Administration	$150,789	
Courts	$ 3,749	
District Mental Health Contribution	$ 3,296	
Medical Center	$ 13,675	
Recreation	$ 14,287	
Nursing Home	$ 72,369	
Senior Citizen Center	$ 24,699	
Sheriff's Office	$ 69,233	
Bond and Construction		$ 15,441
Library		$ 14,832
Roads		$484,005
TOTAL		$969,642

In 1975, on a per capita basis, the county was spending annually $185.71 for operation; Huntington per capita operating expenditure was $111.1. The school district is spending $345.71 per capita for operations (including school lunch program) and $740.00 per capita for capital outlay and debt service.

Both the county and the school district are presently in financially sound shape. The school district has bonded itself to capacity, including a $4.5 million issue in 1975, to construct two new elementary schools and a junior high school. This brings the district up to its legal debt limit. The new facilities should adequately accommodate growth for the next three years (increasing capacity by 200). By that time, assessed valuation will have nearly doubled again (based on experience of assessed valuation increase from Huntington Unit #1).

County financing is extremely conservative. There is a small outstanding debt for the Nursing Home. With an estimated $49 million in valuation, the county could bond (given present limits of 6-2/3 percent of assessed value) for $3.2 million.

The town of Huntington, on the other hand, is experiencing severe growth-related problems. Assessed valuation has increased from $791,537 in 1972 to $1,134,326 in 1974. However, the town's officials have been hesitant to hold bond elections because citizens are unhappy about recent increases in water and sewer rates. The town is in the process of replacing its sewer system. The new system will triple capacity to 3,000 people. It will be completed in 1976. As a result of this expansion, the sewer charges have increased from $1.50 to $6.00 per month.

Huntington also needs a new culinary or domestic water system. The present one is too small and, because it was built in the 1930s, the pipes are in bad shape. Roughly 90 percent of the water is lost through leaks. The system has never met the State Health Board standards.

A $1.5 million water project has been approved for a grant and loan from FmHA and a loan from the Utah Board of Water Resources. Allocation of the funds depends on the ability of Huntington to raise locally $450,000 in matching funds. Utah Power and Light had indicated it would provide the needed amount but has rescinded this because they feared a stockholders' suit for a non-return investment. In anticipation of the new water system, the rates were increased from $6.00 to $8.50 per month.

Besides the problems with the water plant, it is hard to arrange for new water hookups. The tap fee for a three-fourths inch pipe is $250, and a one-inch line for a mobile home court is $750; plus each new home or mobile home must have three shares of stock in the Huntington-Cleveland Irrigation Company; shares in the company are expensive. As of January 9, 1976, they were going for $175 apiece and were very scarce. About the only way to get shares is to obtain them from a relative who happens to have some to spare. This in itself is a major deterrent to development within the city limits of Huntington.

Sewer and water improvements are necessary to service a population which doubled in three years. In 1974, Huntington put a moratorium on water taps and is still not annexing until the water system improvements are completed. The town's residents are beneficiaries of the county's services, but they receive no particular Huntington-oriented county services.

Present Status

Utah Power and Light Company began construction on the first unit of an 830 MW power generating plant in 1972. Peak work force was 905. This project was the first generator of major new employment and population in the county in nearly two decades. Many of the impacts have occurred in the town of Huntington. Because Price is within commuting distance, it absorbed approximately half the construction work force and thus reduced the potential population impact.

Although several of the communities have experienced a doubling of their 1970 population, there has been little planning. The county zoning administrator acts as an unofficial planner, and the four-county Council of Governments in Price shares its staff with local governments.

School Finances

Utah's School Finance Program provides for equalization of state and local education funds. Each district is required by law to levy 28 mills; if the money raised locally does not reach the sum of $621 per weighted pupil unit (1975-76), the state will make up the difference. If a district raises more than the $621 per weighted pupil unit, the excess is paid into the Uniform School Fund for distribution to other districts. The program is very responsive to rapid student increases. The state will provide the entire prorated portion of the $621 for each new weighted pupil unit that is added to a district after the school year begins.

County Finances

State and federal lands have not been taxed historically; however, beginning in 1976, all firms operating mineral leases on these lands will be subject to a privilege tax for use of the property. The county also receives royalty payments under the Mineral Leasing Act of 1920. This amounted to 4 percent of Emery County revenues in 1974. The county has a three-fourths percent sales tax, but because most major purchases by Emery County residents are made in Price, most of this potential revenue goes back to Carbon County.

Emery County officials want to form a special service district which will include the mines, the power plants, and the municipalities but exclude all agricultural land and the town of Green River. The county officials hope to put it before the voters by the end of August, 1976. If this special service district is approved, the county will have the power to establish up to a four mill levy effective November, 1976, collect the taxes, and return the proceeds to the cities. (It was approved. See comment section of this chapter.)

Political Idiosyncracies

Carbon and Emery Counties are closely related in many ways. In 1880, when Emery County was established, it comprised what is now Carbon, Grand, and Emery Counties. Price, in Carbon County, is the largest community in the region and is the commercial and service center for both counties. At present, approximately one-half of the new power plant operators and miners employed in Emery County are living in Price. Although this percentage is expected to decrease in the future, there will always be spillover to the Price-Helper area.

With this type of economic tie, it would appear beneficial to both counties to work together, creating a comprehensive plan and prioritizing mutual problems. This, however, is not happening. At one point, Utah Power and Light offered to provide staff personnel to help coordinate projects in Carbon and Emery Counties, but the company could not get the counties together. The counties have also not formed the same type of economic planning and development council that was brought together for the Kaiparowits Project.

Planning and Zoning

The State of Utah does not have statewide planning. There is a structure that provides for local planning and intergovernmental coordination, if the multi-county associations of governments and local officials want to participate. But no one examines the total effects of all the various energy developments that are taking place in or are proposed for the state.

In 1974, Utah voters repealed a state land use planning coordination law by referendum. The act encouraged, through the use of planning grants, the counties and local governments to prepare master plans. These county master plans would have then been welded into a single state plan. The act did not authorize state regulation of residential structures or land uses.

The defeat of this referendum has meant that planning, when it takes place, deals only with specific projects (the Kaiparowits Planning and Development Advisory Council), or within one multi-county planning district (the Mountainland Association of Governments), or optionally at the local level. There is no way to force planning where it is not wanted and no means of developing a comprehensive state plan for growth.

Another complicating factor is the low level of sophistication of the local governments, especially the towns. By state law, cities of a certain size must prepare annual budgets. However, many of the towns in the study area are smaller than the size required and therefore do not prepare annual budgets. These small towns in particular do not forecast the need for capital expenditures and do not budget for those expenditures.

The Present Economy

In 1970, Emery County was just beginning to experience growth in employment due to construction of I-70. Except for this activity, it was experiencing continuing decline in agricultural employment. Utah Power and Light Company began construction of the first unit of the Huntington plant in late 1971. This activity has contributed substantially to the county's economy in terms of increased personal income and retail sales.

The High Development Profile assumes the seventh and eighth units of Utah Power and Light's project will be constructed, the 3,000 MW power plant of the Intermountain Power Project will be built, and the rail spur from Price will extend to extreme southern Emery County, opening up more mines for export purposes. Additionally, the completion of the Alunite Project in Beaver County will require coal for electric power generation. Options have been obtained on coal lands in Emery County.

Detailed assumptions for these profiles are found in Appendix Table A-4. Projections of population increases result from the development profiles. As shown in Figure 3, growth rates during the ten-year period range from a decline in population of 16.6 percent to an increase of 35.2 percent annually for the county. In 1974-75, the towns of Huntington and Cleveland experienced 12 and 14 percent population increases respectively and have found adequate provision of services an impossible undertaking.

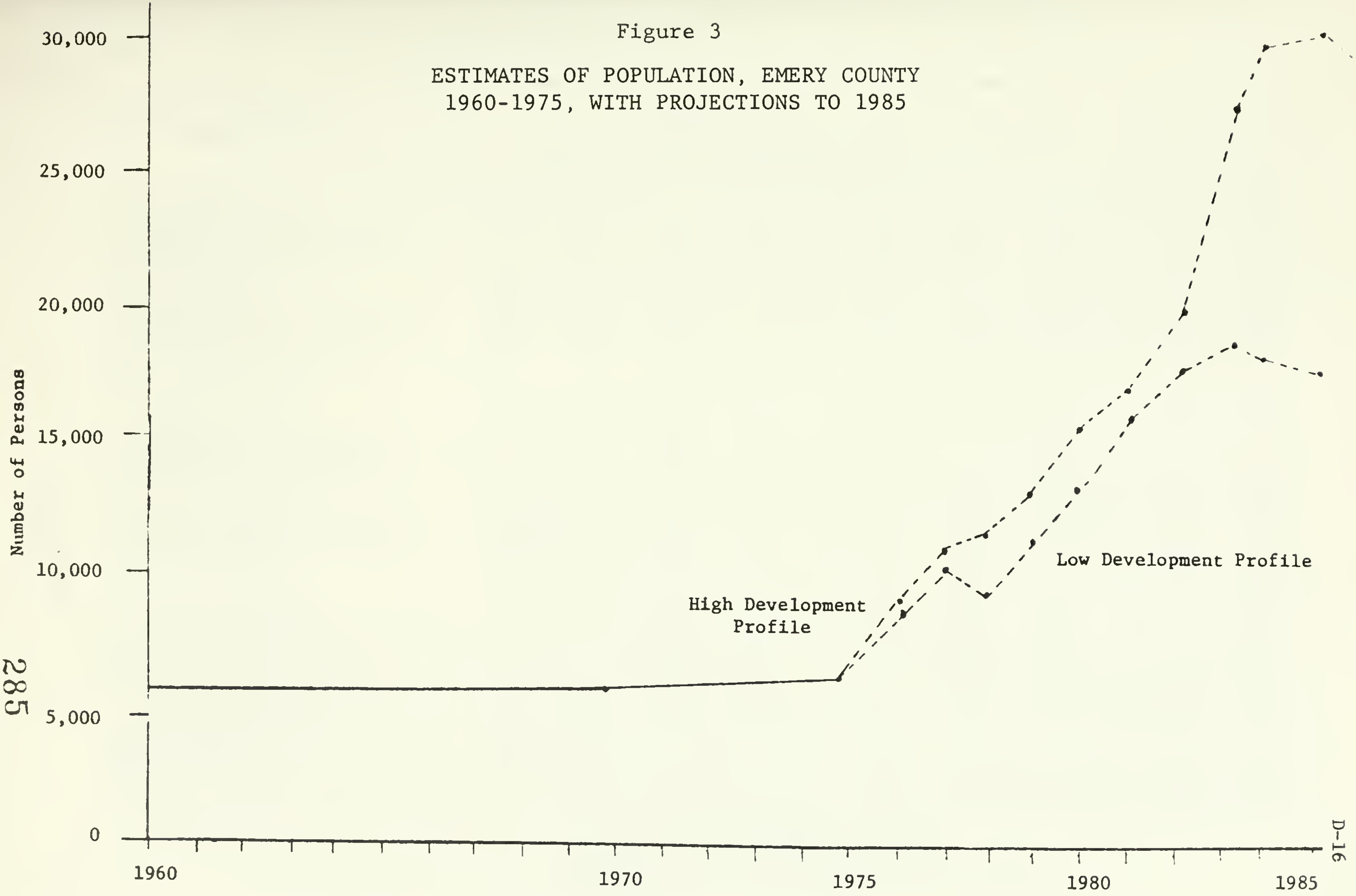
Financial Projections

Public finance projections under the Low Development Profile are summarized in Table 2 of the text of the report. Projections under the High Development Profile are summarized in Table 3. Emery County's financial future looks much better than its present. Mining and power plant assessed valuation, already 77 percent of total assessed valuation, will continue to increase dramatically. The county and school district assessed valuation should double by 1978. Emery County and its school district are also in the enviable position (the opposite of Sheridan's position) of needing to deal with only a portion of the population impacts associated with energy development, while receiving all of the increases in assessed valuation.

The town of Huntington will require substantial expenditures increases while not benefiting directly from the valuation of new mines and power plants. Under "business as usual," the town would be in serious

Figure 3

ESTIMATES OF POPULATION, EMERY COUNTY
1960-1975, WITH PROJECTIONS TO 1985



Source: Denver Research Institute, op cit.

Table 2

SUMMARY OF PROJECTED REVENUES AND EXPENDITURE REQUIREMENTS
EMERY CASE STUDY (LOW DEVELOPMENT PROFILE)[a]
All Figures are in Thousands of 1975 Dollars

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Emery County											
Operating Revenues	1,230	1,570	1,970	2,140	2,510	3,000	3,470	3,970	4,920	5,550	5,710
Operating Expenditure Requirements	1,030	1,350	1,500	1,440	1,620	2,040	2,320	2,530	2,870	2,830	2,770
Operating Surplus/Deficit	200	220	470	700	890	960	1,150	1,440	2,050	2,720	2,830
Capital Revenues	290	360	520	620	730	850	1,000	1,180	1,550	1,850	1,910
Capital Outlay Requirements	290	0	3,780	0	10	0	3,990	0	0	0	0
Capital Debt Service Requirements	0	0	440	440	440	440	900	900	900	900	900
Capital Surplus/Deficit	0	360	80	180	290	410	100	280	650	950	1,010
Total Surplus/Deficit	490	580	550	880	1,180	1,370	1,250	1,720	2,700	3,670	3,840
City of Huntington											
Operating Revenues	180	310	360	350	360	490	610	710	840	940	780
Operating Expenditure Requirements	200	520	520	480	540	710	900	1,030	1,230	1,310	990
Operating Surplus/Deficit	(20)	(210)	(160)	(130)	(180)	(220)	(290)	(320)	(390)	(370)	(210)
Capital Revenues	80	450	40	20	140	330	350	190	340	160	80
Capital Outlay Requirements	90	400	630	0	0	80	0	200	0	0	0
Capital Debt Service Requirements	0	150	230	230	230	230	230	260	260	260	260
Capital Surplus/Deficit	(10)	300	(190)	(210)	(90)	100	120	(70)	80	(100)	(180)
Total Surplus/Deficit	60	90	(350)	(340)	(270)	(120)	(170)	(390)	(310)	(470)	(390)
Emery County School District											
Operating Revenues	2,480	3,030	4,270	5,010	5,930	6,860	8,100	9,560	12,450	14,900	15,260
Operating Expenditure Requirements	2,420	3,330	3,830	3,560	4,280	5,590	6,490	7,180	8,310	8,230	8,040
Operating Surplus Deficit	60	(300)	440	1,450	1,650	1,270	1,610	2,380	4,140	6,670	7,220
Capital Revenues	5,430[b]	1,150	1,710	2,040	2,430	2,800	3,300	3,930	5,180	6,290	6,460
Capital Outlay Requirements	5,180[b]	11,890	1,120	3,270	2,190	1,740	2,800	0	0	0	0
Capital Debt Service Requirements	0	1,880	2,010	2,390	2,140	2,840	3,170	3,170	3,170	3,170	3,170
Capital Surplus/Deficit	5,430[b]	(730)	(300)	(350)	290	(40)	130	760	2,010	3,120	3,290
Total Surplus/Deficit	5,490	(1,030)	140	1,100	1,940	1,230	1,740	3,140	6,150	9,790	10,510

[a] See Emery County Case Study, Appendix D, for more details on development assumptions and financial structure. See Appendix E for projections methodology.

[b] Majority of 1975 capital revenues and expenditures are for receipt and expenditure of a schools bond.

Source: Denver Research Institute, ibid.

Table 3

SUMMARY OF PROJECTED REVENUES AND EXPENDITURE REQUIREMENTS
EMERY CASE STUDY (HIGH DEVELOPMENT PROFILE)
All Figures are in Thousands of 1975 Dollars

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Emery County											
Operating Revenues	1,230	1,600	2,080	2,360	2,750	3,250	3,760	4,640	5,970	7,130	8,130
Operating Expenditure Requirements	1,030	1,390	1,590	1,650	1,870	2,270	2,480	3,120	4,050	4,710	4,940
Operating Surplus/Deficit	200	210	490	710	880	980	1,280	1,520	1,920	2,420	3,190
Capital Revenues	290	360	530	650	780	900	1,100	1,330	1,700	2,070	2,480
Capital Outlay Requirements	290	0	3,790	10	0	4,170	0	9,650	10	10	0
Capital Debt Service Requirements	0	0	440	440	440	920	920	2,040	2,040	2,040	2,040
Capital Surplus/Deficit	0	360	90	210	340	(20)	180	(710)	(340)	30	440
Total Surplus/Deficit	200	570	580	920	1,220	960	1,460	810	1,580	2,450	3,630
City of Huntington											
Operating Revenues	180	300	350	330	400	510	550	590	820	1,030	1,120
Operating Expenditure Requirements	200	480	520	450	600	750	770	850	1,250	1,500	1,530
Operating Surplus/Deficit	(20)	(180)	(170)	(120)	(200)	(240)	(220)	(260)	(430)	(470)	(410)
Capital Revenues	80	420	70	20	250	270	50	170	760	460	120
Capital Outlay Requirements	90	400	630	0	0	100	0	0	260	0	0
Capital Debt Service Requirements	0	150	230	230	230	240	240	240	270	270	270
Capital Surplus/Deficit	(10)	270	(160)	(210)	20	30	(190)	(70)	490	190	(150)
Total Surplus/Deficit	(30)	90	(330)	(330)	(180)	(210)	(410)	(330)	60	(280)	(560)
Emery County School District											
Operating Revenues	2,480	3,110	4,360	5,300	6,330	7,320	8,880	10,790	13,780	16,800	20,110
Operating Expenditure Requirements	2,420	3,420	4,100	4,350	5,070	6,350	7,020	9,010	11,920	14,040	14,890
Operating Surplus/Deficit	60	(310)	260	950	1,260	970	1,860	1,780	1,860	2,760	5,220
Capital Revenues	5,430[a]	1,160	1,730	2,130	2,580	2,970	3,630	4,420	5,650	6,900	8,330
Capital Outlay Requirements	5,180[a]	12,630	2,420	3,190	1,670	4,920	7,230	5,260	2,100	0	0
Capital Debt Service Requirements	0	1,960	2,240	2,610	2,310	3,380	4,220	4,830	5,070	5,070	5,070
Capital Surplus/Deficit	250	(800)	(510)	(480)	270	(410)	(590)	(410)	580	1,830	3,260
Total Surplus/Deficit	310	(1,110)	(250)	470	1,530	560	1,270	1,370	2,440	4,590	8,480

[a] Majority of 1975 revenues and expenditures relate to a school bond issue and construction program.

Source: Denver Research Institute, ibid.

Table 4

SUMMARY OF PROJECTED REVENUES AND EXPENDITURE REQUIREMENTS
EMERY CASE STUDY (LOW DEVELOPMENT PROFILE WITH SPECIAL DISTRICT)
All Figures are in Thousands of 1975 Dollars

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Emery County											
Operating Revenues	1,230	1,570	1,970	2,140	2,510	3,000	3,470	3,970	4,920	5,550	5,600
Operating Expenditure Requirements	1,030	1,350	1,500	1,440	1,620	2,040	2,320	2,530	2,870	2,830	2,770
Operating Surplus/Deficit	200	220	470	700	890	960	1,150	1,440	2,050	2,720	2,830
Capital Revenues	290	360	520	620	730	850	1,000	1,180	1,550	1,850	1,910
Capital Outlay Requirements	290	0	3,780	0	10	0	3,990	0	0	0	0
Capital Debt Service Requirements	0	0	440	440	440	440	900	900	900	900	900
Capital Surplus/Deficit	0	360	80	180	290	410	100	280	650	950	1,010
Total Surplus/Deficit	490	580	550	880	1,180	1,370	1,250	1,720	2,700	3,670	3,840
City of Huntington											
Operating Revenues	180	320	390	410	440	570	730	870	1,090	1,300	1,050
Operating Expenditure Requirements	200	520	520	480	540	710	900	1,030	1,230	1,310	990
Operating Surplus/Deficit	(20)	(200)	(130)	(70)	(100)	(140)	(170)	(160)	(140)	(10)	60
Capital Revenues	80	460	80	80	220	410	470	350	580	520	350
Capital Outlay Requirements	90	400	630	0	0	80	0	200	0	0	0
Capital Debt Service Requirements	0	150	230	230	230	230	230	260	260	260	260
Capital Surplus/Deficit	(10)	310	(150)	(150)	(10)	180	240	90	320	260	90
Total Surplus/Deficit	60	110	(280)	(220)	(110)	40	70	(70)	180	250	150
Emery County School District											
Operating Revenues	2,480	3,030	4,270	5,010	5,930	6,860	8,100	9,560	12,450	14,900	15,260
Operating Expenditure Requirements	2,420	3,330	3,830	3,560	4,280	5,590	6,490	7,180	8,310	8,230	8,040
Operating Surplus/Deficit	60	(300)	440	1,450	1,650	1,270	1,610	2,380	4,140	6,670	7,220
Capital Revenues	5,430[a]	1,150	1,710	2,040	2,430	2,800	3,300	3,930	5,180	6,290	6,460
Capital Outlay Requirements	5,180[a]	11,890	1,120	3,270	2,190	1,740	2,800	0	0	0	0
Capital Debt Service Requirements	0	1,880	2,010	2,390	2,140	2,840	3,170	3,170	3,170	3,170	3,170
Capital Surplus/Deficit	250	(730)	(300)	(350)	290	(40)	130	760	2,010	3,120	3,290
Total Suplus/Deficit	310	(1,030)	140	1,100	1,940	1,230	1,740	3,140	6,150	9,790	10,510

[a] Majority of 1975 revenues and expenditures relate to a school bond issue and construction program.

Source: Denver Research Institute, ibid.

financial difficulty. If the special district now under consideration were formed, the town's problems would be much more manageable. Table 4 summarizes financial projections under the assumption that a special district were formed to levy a two-mill property tax and distribute the revenues to local municipalities on the basis of population impacts.*

DUCHESNE COUNTY FINANCES AND IMPACT ALLEVIATIONS[1]

Duchesne County is one of the half-dozen to a dozen Utah counties known to have vast natural, energy-related resources. Consequently, the six general local governments in the county -- Altamont, Duchesne City, Myton, Roosevelt, Tabiona, and Duchesne County -- are feeling the effects of rapid economic expansion, population growth, and enlarged tax base.

At first glance, this would seem to be the ideal combination of changes for an area that has been somewhat economically depressed for at least two decades. (The total population of Duchesne County dropped 12% between 1950 and 1960 and did not return to the 1950 level until about 1972.) In terms of job opportunities and personal and business income, these changes have been a boon to the area. But in terms of needs for local government services and facilities and the corresponding ability to pay for them under present governmental arrangements, the changes are posing problems of near catastrophic proportions.

Stated in briefest terms, the major problem facing local government in Duchesne County is that the people and their needs for public services and facilities are in the cities and towns; but the sources of revenue to finance these services and facilities are largely in the unincorporated area of the county. Here are some of the basic facts.

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* Sources for financial information are: Emery County, Utah, Budget, 1975; Town of Huntington, Utah, Budget, 1974-75; School District, Emery County, Utah, Utah Public School System Annual Report.

[1] This case study contains excerpts from Duchesne County Public Finance Study, the Uintah Association of Governments, January, 1976.

The Population "Explosion"

The official U.S. Census figures for 1960 and 1970 and the best available population estimates for 1970 to date show these increases in the numbers of people to be served:

City, Town, or Area	1960 Population	1970 Population	1975 Population(Est)	% Change 1970-75
Altamont	102	129	399	+209%
Duchesne City	770	1,094	2,527	+131%
Myton	329	322	585	+ 82%
Roosevelt	1,812	2,005	3,885	+ 93%
Tabiona	167	125	217	+ 73%
Unincorporated Area of Duchesne County	3,999	3,725	3,852	+ 3%

With few exceptions, it is the towns and cities listed above, where the populations have doubled and tripled in about five years, that there is need for the following kinds of services, as a minimum:

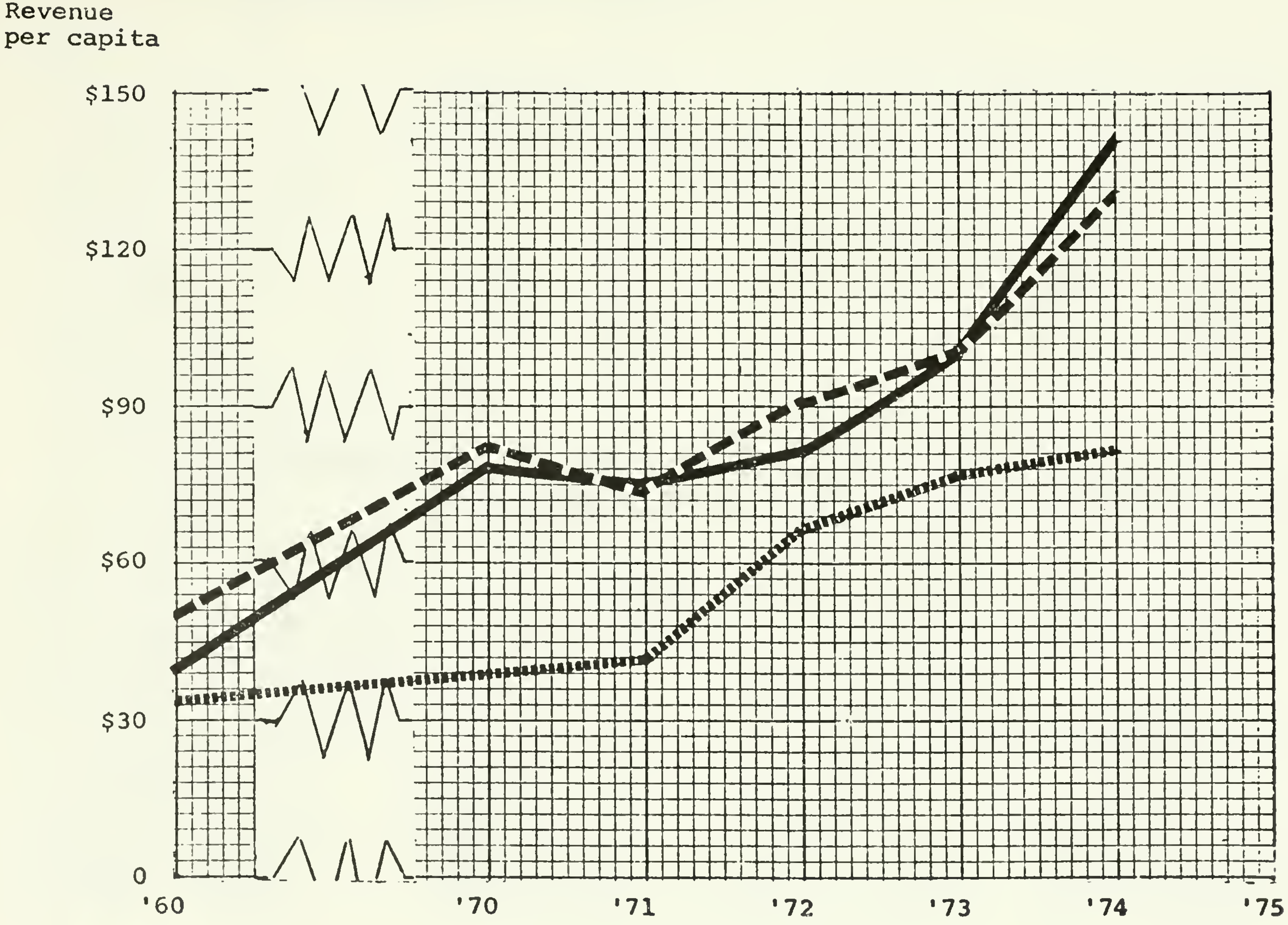
- Police protection
- Fire protection
- Water
- Sewers
- Streets
- Sidewalks
- Drainage
- Health
- Recreation

The Revenue Base Explosion

The impressive increase in population shown above is not the only kind of "explosion" occurring in Duchesne County. Due to the property re-evaluation program of the State Tax Commission, a great influx of structures and facilities, and sharply rising land values, the assessed valuation of property for tax purposes has also had a remarkable increase in the past five years. Here are the figures:

Figure 4

TOTAL REVENUE (1) PER CAPITA, DUCHESNE CITY, ROOSEVELT CITY, AND DUCHESNE COUNTY (2): 1960; 1970-1974



(2) ━━ = Duchesne County
╍╍ = Roosevelt City
┅┅ = Duchesne City

Source: Uintah Basin Association of Govenments.

(1) Excludes revenue from water, sewer & electric (& gas, where applicable).

City, Town, or Area	1970 Total Assessed Valuation	1975 Total Assessed Valuation	Percent Change 1970-75
Altamont	90,633	321,875	+ 255%
Duchesne City	740,100	1,829.998	+ 147%
Myton	127,814	326,679	+ 155%
Roosevelt	2,087,700	4,482.921	+ 114%
Tabiona	55,199	129,359	+ 134%
Unincorporated Area of Duchesne County	12,579,690	145,612,392	+1,057 %
Duchesne County	15,681,135	152,703,244	+ 873%

Next to the property tax, one of the largest (sometimes the largest) sources of revenue to pay for local services and facilities is the sales and use tax on purchases. The sales tax goes to the government within whose jurisdiction the purchase was made, whether city, town, or county (for the unincorporated area). Ordinarily, one pictures most of the sales taxes being paid in the cities and towns. But this has not been the experience in Duchesne County. The State Tax Commission's reports show the largest percentage increase in sales and use tax collections has gone to the County government.

Governmental Unit	1969-70 Sales & Use Tax Revenue	1974-75 Sales & Use Tax Revenue	% Change 1970-75
Altamont	1,170	7,247	+519%
Duchesne City	8,988	29,649	+229%
Myton	670	1,442	+115%
Roosevelt	43,997	149,947	+240%
Tabiona	406	652	+ 60%
Duchesne County	7,248	128,738	+1,633%

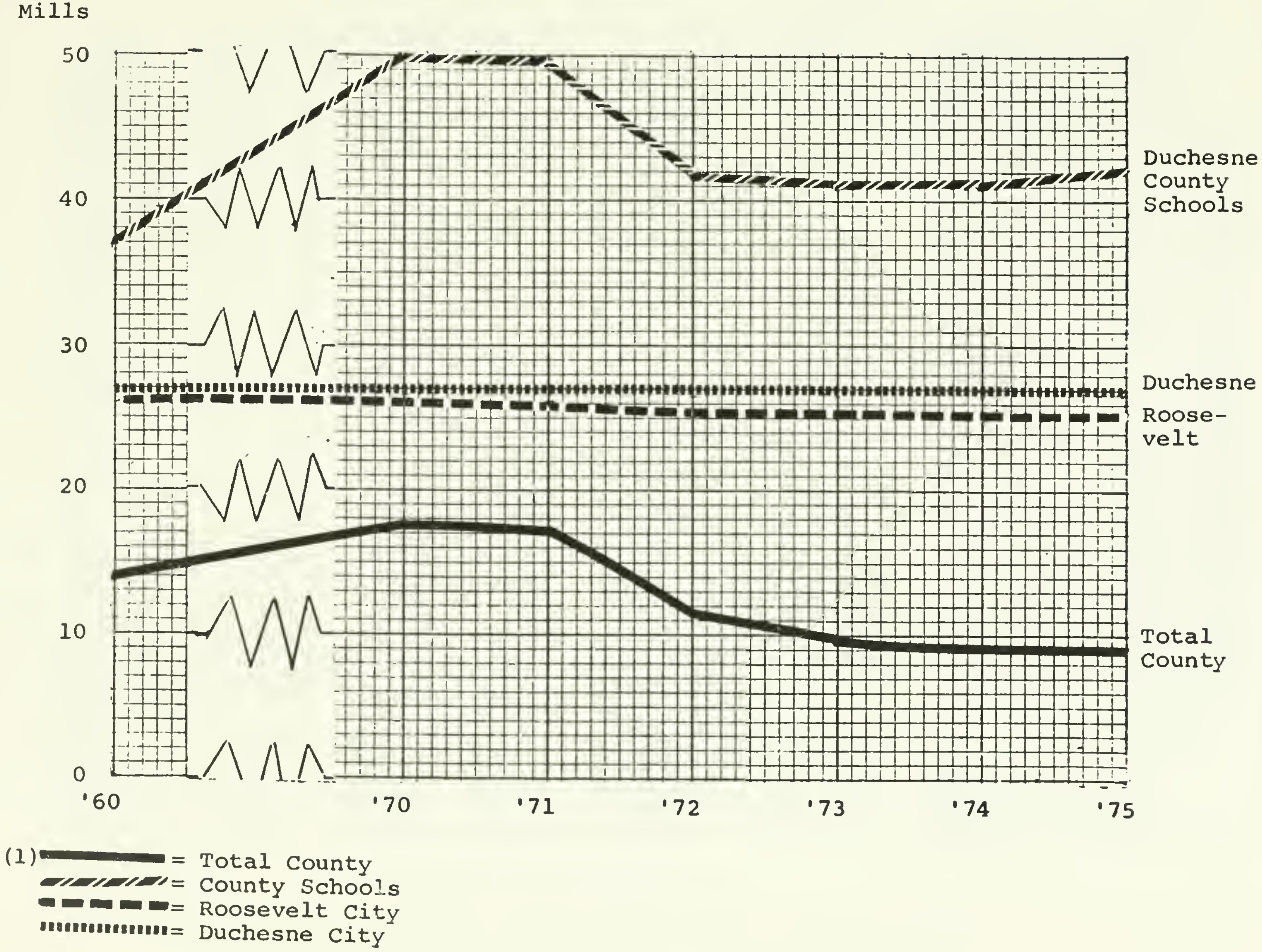
People, the Common Denominator

By themselves, dollar figures can be misleading. Obviously, the government serving the larger number of people is likely to spend the greater amount of money. As shown in Figure 4 the total revenues per capita for unincorporated areas are rising much faster than in the cities.

Other financial facts have other common denominators, such as debt per $1,000 of assessed valuation, a common comparative measure. Also, it is sometimes helpful to note how tax rates have varied from year to year, as shown in Figure 5 . The country rate is declining, while the city tax rates are stable.

Figure 5

TOTAL TAX RATE IN MILLS,
DUCHESNE CITY, ROOSEVELT CITY,
DUCHESNE COUNTY, AND DUCHESNE
COUNTY SCHOOLS (1): 1960; 1970-75



Source: Uintah Basin Association of Governments, op. cit.

Alternative Ways to Match Public Dollars to Public Needs in Duchesne County

The property tax is still a principal source of revenue for local government in Duchesne County, for both operating purposes and borrowing capacity. Yet 95 percent of the assessed valuation is located where only 30 percent of the people live. To repeat what was said in the Introduction to this report: The major problem facing local governments in Duchesne County is that the people and their needs for public services and facilities are in the cities and towns; but the sources of revenue to finance these services and facilities are largely in the unincorporated areas of the county.

There appear to be at least six ways in which the local officials can attack this disparity problem. Some courses of action are more direct and easier than others; likewise, they differ in the extent of benefit. Without going into detail, here are the six alternatives the local governments may wish to consider.

1. With the facts presented in this report in hand, work with other local governments that also suffer from revenue disparities to get the Legislature to submit to the voters a constitutional amendment that will permit the State government and the local governments to share with one another both revenue and revenue sources.

2. Request the Legislature to change the basis of distribution of the local sales and use tax from a point-of-sale basis to a population basis, or some combination of the two.

3. Move to adopt one of the optional forms of county government now available. The options and the procedures for adoption are spelled out in Section 17-35a of the Utah Code.

4. Arrange for inter-local service agreements under the provisions of the Interlocal Cooperation Act, Section 11-13 of the Utah Code.

5. Establish one or more special service districts authorized in Section 11-23 of the Utah Code.

6. Establish a combination of one or more special service districts (just mentioned in 5 above) with one or more county service areas. Authorization for county service areas is provided in Section 17-29 of the Code.

Comments

A mechanism which permits cities and towns to enlarge their property tax bases is the Special Service District. An act was passed by the 1975 Legislature (Chapter 116, 1975 session laws) implementing a constitutional amendment enacted in 1974. A service district may make a property tax levy and issue bonds to perform services, including water, sewerage, drainage, flood control, garbage, hospitals, transportation, recreation, and fire protection. A district may be created by resolution of the appropriate board, such as the county board, or by petition, representing 10 percent of the electorate, or the owners of 10 percent of taxable property. To negate the action, a petition by 50 percent of the electorate is required within 15 days.

The special district created in Emergy County is the first one authorized under the enabling legislation. The unique feature of the district in Emergy County is that over 95 percent of the valuation is comprised of two electric power plants, with a capacity of 430 megawatts each. The second unincorporated area includes a tract of land where two additional electric generating plants are being built to be completed in 1978 and early 1980, which also have a capacity of 430 megawatts each. Consequently, while the seven incorporated towns have a present valuation of $4 million, the assessed valuation of the district is $43 million and is projected to rise to $180 million by 1982. The purpose of the district was restricted in this case to water, sewerage, drainage, and transportation services, namely roads.

The district is currently proposing to sell $5 million in bonds for sewer and water purposes as a result of the vote in the area. The voted authorization is to levy not-to-exceed 6 mills on taxable property which will be allocated for operating purposes and debt service by the district board. There is no limitation on the millage that the members of a district can vote, but there is an indebtedness limitation of 12 percent of the fair cash value of the district, which is approximately three times the assessed valuation.

The use of a special service district in Utah may be a method which will be used commonly in the future to circumvent the statutory and constituional limitations which have been mentioned in this report.

CHAPTER IV

COUNTY GOVERNMENT AND IMPACT ALLEVIATION

A total of 413 governmental units can levy property taxes in Utah. In addition to the state government, there are 29 counties, 40 school districts, 216 cities and towns, and 128 special districts.

County governments received $108.4 million in 1974-75, according to the U.S. Bureau of Census. General revenue from the property tax was$39.7 million, and other taxes provided $5.6 million. Intergovernmental revenues were $37.3 million, of which $15.5 million was from the state government.

EXPENDITURES

Total direct general expenditures were $115.3 million in 1974-75. The expenditures were: health and hospitals, $32.7 million; highways, $15.4 million; police and fire protection, $10.0 million; public welfare, $3.6 million; and all other, $53.4 million.

Total debt, which was totally long-term, amounted to $40.3 million at year-end 1974-75. Most of the long term debt, namely $25.3 million was full faith in credit.

PROPERTY TAX

The most important tax source, the property tax, has risen from $29.1 million in 1970 to $41.9 million in 1975. Despite the sizable increase in taxes, the average mill levy has declined from $15.77 to $15.11 per $1,000 of assessed valuation in the past five years, which reflects the rise in assessed valuations. Assessed valuations have increased by 50% since 1970 to a total of $2.77 million.

Taxing and Bonding Limits

The counties with assessed valuations of less than $20 million, which includes nine counties of the fourth class, three counties of the fifth class, and three counties of the sixth class, may impose a maximum property tax levy of $18 per $1,000 of assessed valuation. The maximum property tax levy in counties with an assessed valuation of more than $20 million is $16 per $1,000 of assessed valuation. The maximum county levies do not include levies imposed for (1) outstanding judgment debts, (2) special improvement districts, (3) county service areas, (4) county library services, (5) flood control, (6) any bonded indebtedness, and (7) levies made to fund city-county or district health departments.

The state constitution provides that counties be allowed to incur indebtedness not-to-exceed 2 percent of the value of all taxable property in the county. In order to incur indebtedness, there must be approval by the qualified electors, who pay a property tax. The legal ratio of assessment which is 30 percent of full cash value, results in an effective legal total debt limit of 6-2/3 percent of the assessed valuation.

STATE ASSISTANCE TO COUNTIES

A substantial program of aid to counties is precluded by the state constitution, which prevents the state from imposing taxes "for the purpose of any county, city, town, or other municipal corporation." Despite the constitutional language, there is some sharing of state-imposed taxes or revenues with counties.

Road grants have been allocated to counties and cities for use on local roads and streets since 1938. Local governments receive all of the first $2 million of motor vehicle registration collections and 75 percent of the collections over $2 million. The revenues are allocated on the basis of 45 percent on road mileage, 45 percent on population, and 10 percent on area. An additional state program to support "collector" roads and streets, which are those which directly feed into the state road system, has been in effect since 1970. The state distributes 1 cent of the 7 cent a gallon motor and special fuels taxes to counties and cities over 2,500 population.

In addition to these grants, the state shares profits from liquor operations with cities and counties, with some of the money earmarked for local enforcement of liquor control laws. Furthermore, 4 cents per gallon on aircraft fuel is distributed, 3/4 to operating airports, in proportion to the amount of fuel sold at the airport, and the remainder for administration and special grants for approved airport projects.

LICENSES, FEES, AND SERVICE CHARGES

The counties, as well as the municipalities, have the power to impose license fees for the regulation of business concerns within their jurisdictions. Another source of income is franchise fees on business activities, which authorize them to provide a service within the county area.

While it is more common in cities, the counties in Utah are authorized to own and operate water supply and sewer systems, electrical power plants, transit companies, and other public utilities. Any revenue derived from the operations which exceed the amount necessary for operations and the retirement of bonds may be used for general local government purposes.

IN LIEU OF TAX PAYMENTS ON FEDERAL LANDS

Recent Congressional legislation (PL 94-565) will provide an estimated $7.4 million a year in additional revenues for county governments. As shown in Appendix Table A-5, the revenues will exceed 40 percent of total county expenditures in nine counties and will equal 8.3 percent of total expenditures on the average for all twenty-nine counties. The table reveals that rural counties will experience the greatest relative assistance to their budgets.

The maximum amount of in lieu taxes on federal lands will not be realized if federal mineral lease and grazing fee receipts are allocated to county governments. Under federal law, these receipts must be deducted from in lieu payments if the highest in lieu of tax formula for distribution is used. For example, Emery County will receive $286,000 instead of $328,000 a year, if the current mineral lease monies continue to flow to the county for road (or any other) purposes.

Comments

A review of county tax levies, as reported in the Statistical Review of Government in Utah, 1976 edition, Utah Foundation, indicates that the vast majority of counties still has unused property tax millage levies which can be imposed. This latitude in levy authority, coupled with the increase in in-lieu-of-tax payments on federal lands of $7.4 million, as well as the increases in property tax valuations due to energy development, place counties in a good position to finance growth in operating and capital outlay needs due to rapid energy development.

When necessary, state law enables the unincorporated areas in the counties to be financed for a great number of purposes by means of establishing special districts. This widely used device gives these areas additional fiscal capacity, as is pointed out in the chapter on special districts. Furthermore, counties receive a share of the locally imposed sales tax. For example, Emergy County is currently receiving about $50,000 a year out of a total net collection in the county and city areas of about $250,000.

The state should adopt a strategy for the loss in federal revenues due to the deductibility of mineral lease monies and similar fees from the in lieu tax payments which are distributed almost entirely to counties. Given the constitutional restrictions in Utah regarding state aid, perhaps the only approach for handling the situation is to distribute federal mineral lease monies and similar fees, where possible, to cities and towns and special districts, as well as to schools.

CHAPTER V

MUNICIPALITIES AND IMPACT ALLEVIATION

Municipalities in Utah received $112.5 million in general revenue during 1974-75, according to the U.S. Bureau of Census. Taxes were the major source of revenue. Property taxes amounted to $24.3 million, and other taxes, chiefly sales taxes, returned $22.9 million. Charges and miscellaneous sources brought in $35.9 million. Intergovernmental revenue was received from federal sources, $15.8 million, and state sources, $13.0 million. While not included as a general revenue source, the gross receipts from utility systems were $37.2 million. A comparison with utility system expenditures of $35.3 million indicates that there was on the order of $2 million available for general purposes.

General expenditures totaled $115.4 million in 1974-75. Several major expenditures were: police and fire protection, $23.8 million; streets and roads, $14.2 million; health and hospitals, $4.6 million; and interest on debt, $2.5 million. All other expenditures by cities and towns aggregated $70.3 million.

Total debt outstanding at the end of FY 1974-75 was $88.7 million, of which $88.2 million was long-term debt. The total amount of full faith and credit debt was $53.9 million, and non-guaranteed debt totaled $34.3 million.

CONSTITUTIONAL RESTRICTIONS

The cities, towns, or other municipal corporations are subject to a unique constitutional restriction in Utah. In Article 13 of the State Constitution,the legislature is restrained from imposing taxes for any county, city, town, or other municipal corporation. This restriction imposes serious barriers insofar as state assistance to these local units of government is concerned. While some minor state taxes, such as the motor fuels tax, are shared with cities and counties, this is an exception and may be of doubtful constitutionality. In any event, the constitutional provision seriously hampers the state legislature from aid programs to equalize financial burdens and alleviate the socioeconomic impacts from energy developments or other large industrial enterprises.

A legislative action in 1959 has assisted cities and counties in financing the operation. The legislature authorized the adoption of a local sales tax at one-half of 1 percent, which has since been raised to three-fourths of 1 percent. The tax must be imposed on a county-wide basis by order of the county commission. Municipal governments may partake in the proceeds by passing an ordinance. Since the county would receive all of the revenue from a local sales tax, if the cities did not enact one also, it is almost automatic that municipalities enact a tax also immediately following adoption in the county. The tax has been adopted in all of the state's counties. The revenues are shared on the basis of where the retail sales took place. The total yield for counties and cities is near $40 million.

In addition to a share of the motor fuels taxes, the cities receive funds from motor vehicle registration fees, liquor control operation profits, and aircraft fuel taxes. Municipalities are also allowed to impose license fees for the regulation of business in their jurisdiction and utilize revenues which exceed operating expenses from utility operations, such as water, sewer, electric power, and other public utilities.

TAXING AND BONDING LIMITS

The cities, regardless of size, may levy not to exceed $35 per $1,000 of assessed valuation on taxable real and personal property. Towns are restricted to a levy of $16 per $1,000 of valuation, which may be increased to 20 mills by approval of 2/3 of the vote of the people. The exceptions to the overall limitation are for principal and interest on debt, a levy of not more than $3 per $1,000 in cities for public libraries, and not more than $4 per $1,000 of valuation in cities and towns for water and sewage system.

Upon approval of the electorate, a municipality may incur bonded debt not to exceed 4 percent of the value of taxable property. Since the Constitution uses the term "value," in effect the municipal bonding limits are factored up to 13-1/3 percent of assessed valuations, since the legal level of assessment is 30 percent of full cash value. In addition to this debt limit, the first and second class cities may incur additional debt of 13½ percent and third class cities or towns an added 26-2/3 percent of its assessed valuation for water, artificial lights, and sewers, when such utilities are owned and controlled by the municipality.

RECENT LEGISLATION

There have been enacted several recent legislative acts designed to relax the fiscal constraints on municipalities. In 1975, SB 144 amended the Utah Municipal Bond Act. The Act stipulated that cities, towns, counties, school districts, transit districts, and improvement districts may acquire facilities or property jointly for public buildings of every nature, waterworks, sewer systems, drainage and flood control systems, recreational facilities, roads, airports, educational facilities, hospitals, etc. The bonds which may be issued may be guaranteed or non-guaranteed indebtedness, which is limited only by the general limitations in the Constitution or statutes governing the local bodies. The interest rate limitations appearing in the laws of the State of Utah shall not apply to nor limit the interest born by bonds issued pursuant to the provision of the new Act.

SB110 was enacted in the 1975 general session of the legislature. The Act appropriated $2 million from liquor control profits to the Utah Board of Water Resources for making rounds to cities and towns and water improvement districts for the acquisition and improvement of water systems. The loan would be backed by a general obligation or revenue bonds of the city, town, or improvement district which would be issued to the Water Resources Board.

A prepayment of sales and use taxes by developments which utilize natural resources is provided in SB 256 for the 1975 session. The prepayment of sales use taxes was permissive and not mandatory and is to be credited at the time the sales or use tax should become due and otherwise payable. The use to which the funds may be put include state-related public improvements, including but not limited to highways and related facilities and schools and related facilities. The Act was utilized in the pre-development phase of the Kaiparowits project, which was subsequently abandoned. The developers paid $122,000 in prepaid sales and use taxes, which was used by the state in engineering plans for road and highway development in the area affected. Since the project was not carried forward toward completion, the moneys are not subject to credit by the state.

Comments

The strategies to alleviate impact problems, as cited in the previous chapter regarding public needs in Duchesne County, are widely applicable. Striking at the heart of the issue is the recommendation that the constitution be amended to permit the state government to share revenues with local units of government.

The revenue situation in an impacted community is well depicted by the Emergy County scenario. Under both the low development and high development profiles, the City of Huntington experiences continuing deficits in the operating and capital surplus funds. Since local deficits are prohibited by law, some mechanism of enhancing revenues must be utilized, or expenditures would be cut to too minimal a level to meet the demands of modern living. While there is projected a short-run deficit for the school district, this would be mitigated by the proposed increases in school operating aid and a three-fold increase in state aid to capital outlay. Furthermore, the school district, which is countywide, will be experiencing rapidly rising valuations which increase its acceptability in the bond markets. There is a flexibility in school capital outlays, since up to ten mills extra can be voted in by the electorate to fund debt payments, including interest.

The stresses and strains will be experienced by the towns and impacted areas, as indicated in the City of Huntington budget situation over time. A strategy of using loans for such cities is not a viable alternative for the long-run, since the cities and towns must eventually pay back the loans. These units of government do not experience greatly heightened taxable valuations, since the energy development takes place in the rural, unincorporated areas. Among the most direct programs which could be instituted would be the distribution of the growing federal lease revenues into city and town coffers, so that they may be used for operating, capital outlays or leveraged as a basis for making loans. These revenues may be considered special funds and therefore not under the general obligation debt limits. In addition to the increased annual flows of the mineral lease monies, there is in the offing a release of the impounded $78 million oil shale funds for school purposes if they are from state lands. If the courts hold that the payments were made from federal lands subject to lease about 29 million dollars can be used for any impacted communities.

An additional revenue source could be the establishment of a special district, which would provide services which ordinarily would be provided by the city. These are permitted and widely used in the State of Utah and are cited in a section of this report entitled "Special Districts and Impact Alleviation." One of the values in a special district approach is that the services ordinarily provided by an incorporated municipality can be provided by a special district which encompasses a municipality as well as the areas in a county lying beyond the municipality borders. In this way, energy development valuations can be utilized in enhancing the taxable base without requiring annexation measures which perhaps would be doomed for failure.

CHAPTER VI

SCHOOL DISTRICTS AND IMPACT ALLEVIATION

School districts in Utah received $363.7 million in general revenue in 1974-75. The major source of revenue was from intergovernmental aid, which amounted to $215.8 million. State aid was $202.0 million, and federal aid was $13.2 million. Tax revenues, which were solely from school district property taxes, amounted to $100.9 million. Charges and miscellaneous general revenue were $37.1 million in 1974-75.

Total general expenditures were $372.8 million, including $6.4 million for interest on the debt. Total long-term debt was $165.9 million, which was entirely full faith in credit debt.

The state educational system has been well financed in Utah relative to the financial ability of Utah citizens. In 1973-74, the entire public educational system, both higher and lower, ranked second only to Alaska in educational expenditures as a percent of personal income of residents, as shown in Figure 6. The effort for local schools alone resulted in a ranking of third in the nation, exceeded only by Alaska and Wyoming. The organizational structure of the school districts is such that impacts from mineral production in allied developments is mitigated. This results from the fact that 22 of the districts coincide with county boundaries, 13 districts are composed of a portion of a county, and 5 districts are congruent with first and second class city limits. The large size of school district boundaries results in a capturing of taxable valuations by school districts in many areas where developments have taken place or will take place in the future.

STATE FINANCIAL AID TO SCHOOL DISTRICTS

The amount of school aid in 1974-75 from state government was almost twice as large as the revenues received from local property taxes. The basic source of revenue from the state is the uniform school fund. The fund is comprised of revenues received from the individual income tax, the corporate franchise tax, federal mineral royalties, school land income, and other miscellaneous revenues. The state legislature appropriates the difference between total income from the earmarked sources and the amount needed to finance the state's share of the school program.

The Utah legislature in 1973 enacted substantial revisions of the school-support program, in order to improve the equalization of finances among the districts.

At this time, the aid program was modified from a basis of "classroom units" to a new concept which is predicted on a "weighted pupil" distribution. The aid is focused on the single pupil, rather than on the classroom group. Furthermore, there are special factors for small schools, handicapped children, vocational programs, and special activities, such as summer programs and adult education. The new school finance program increased the state support in Utah by the most substantial amount in its history.

Before World War II, the school construction programs were the responsibility of local school districts. Since then, a series of state building programs have been authorized to assist in school construction, culminating in a legislative act in 1972, which combined three separate building aid programs into a single, comprehensive, continuing building program. State building funds are now allocated to local districts on the basis of "school building units," which use factors such as the number of "weighted pupils" and construction bonds outstanding in the district. Under both the construction and operational aid programs, the districts are required to impose a prescribed mill levy. If the levy does not produce enough money to meet the state guaranteed minimum, the state makes up the difference. There is no state aid provided in districts where the standard levy produces more than the guaranteed amount.

An additional state aid program is for school lunches in public schools. The receipts from the state excise tax on distilled liquors or wines are earmarked for the school lunch program. The revenues are apportioned according to the number of school children receiving school lunches. The state aid supplements federal and local contributions to this program.

The state allocates 90 percent of the revenues received from the federal mineral royalties to higher and lower education purposes. The amount that flows into the uniform school fund for local school districts is 45 percent of the total federal mineral royalties which are now equal to $2.2 million a year. An equal amount is channelled into the institutions of higher education. The remaining 10 percent is distributed to counties for road improvements and construction.

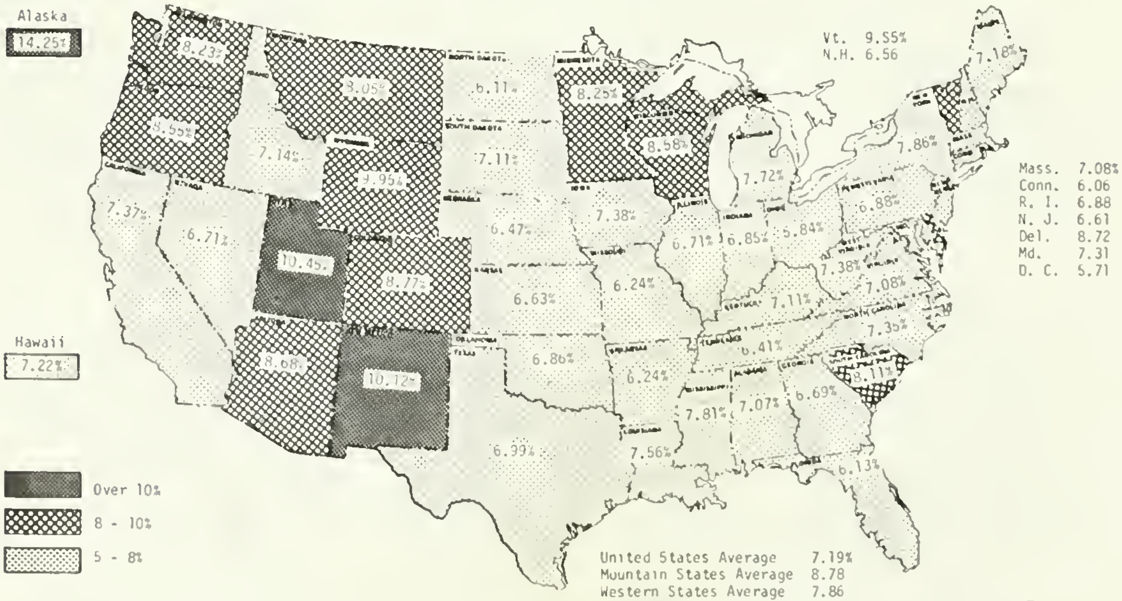
The new Federal Mineral Leasing Acts (PL 94-377 and 94-579) increased the state's share of the mineral lease royalties from 37½ percent to 50 percent of the total. The Act also provides that the monies shall be used as the legislature shall direct, giving emphasis to or priority to impacted communities. The interim legislative committees appear to be considering a continuation of the distribution of the same amounts of monies for the support of education in the state. Under consideration is a distribution of the remainder of the mineral lease money into a community impact revolving loan fund to be used for making loans to communities impacted by natural resource development in the state.

In addition to the mineral lease royalty monies, there is in escrow some $78 million in mineral bonus revenues resulting from federal test leases and tracts. The distribution of this money awaits a decision by the third district court as to whether the total amount will flow to the State of Utah or only 37½ percent of the total. Regardless of the court decision, the state will be receiving a substantial amount of additional revenues which may be used for education and other purposes.[1]

In order to encourage construction of public school buildings, the legislature enacted SB 257 in the 1975

Figure 6

PERCENT OF PERSONAL INCOME EXPENDED FOR PUBLIC EDUCATION — 1973-74



Source: Utah Foundation Report, based on U.S. Bureau of Census data.

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[1] If the court holds that the lands are state lands, the full $78 million must be used for schools under the state constitution.

session. The act requires a school district confronted with actual or anticipated large increases in enrollment to raise the necessary funds by (a) bonding to its maximum capacity, (b) maintaining an annual property tax levy for capital outlay and debt service of not less than 18 mills, and (c) initiate any action necessary to qualify for any state, federal, or other funds for capital outlay. If the funds do not provide the minimal facilities required, the district would be authorized to enter into lease-purchase agreement or lease-with-option-to-purchase-agreements with private builders who will furnish the minimal facilities required by the district and approved by the State Board of Education. In another section of the act, a construction permit of an industrial plant requiring provision of a new community, including school buildings in remote areas, would not be approved until the Board of Education in the district certifies that funds will be available or full commitment has been made to provide minimal school facilities.

Comments

The state basic school support program guarantees that each school district which levies the full twenty-eight mills on assessed valuation will receive the basic amount, which is $683 per weighted pupil unit currently. As the local basic tax levy yield exceeds the cost of the basic program, the excess must be paid into the uniform school fund in accordance with state law. In addition, a local school district may, with the approval of the electorate, levy an additional property tax not to exceed ten mills, with a state guarantee of $4 per weighted pupil unit per mill which is levied. The Utah state support program largely eliminates the problem of inadequate funding in communities which are experiencing rapid growth.

A problem may arise insofar as capital expenditures are concerned, since the amount of state aid for capital outlay is only $4.2 million at the present time, of which $2.8 million is for critical needs. There is a proposal in the legislature to increase capital outlay assistance to $12.4 million in FY 1977-78. Under present law, a district is allowed to levy up to twelve mills for debt service, plus an amount equal to ten percent of the basic program levy, which varies from district to district. As an example, the allowed capital outlay in Emery County school district is 14.24 mills in fiscal 1977. By a vote of the people, an additional 10 mills may be levied, subject to approval. None of the school districts are levying the additional 10 mills at the present time.

In addition to the various state taxes which are channelled into the uniform school fund, the federal mineral lease monies are expended 40.5 percent to uniform school fund and 40.5 percent to higher education. The prevailing attitude in the legislature seems to be to continue this distribution of the 37½ percent of the mineral lease monies. It is not certain at this time what distribution will be made of the impounded oil shale bonus monies which will bring into the state anywhere from $29 million to $78 million, depending upon the decision of the court.

The $78 million revenues from oil shale bonus payments will be restricted to use by school districts if the court holds that the lands are state lands. If the court holds that they are federal lands the state will receive on the order of $29 million which can be used for alleviation of adverse impacts for other units of government as well as school districts. A strategy to avoid excessive school funding versus other governmental units is cited in the recommendation section of the Utah report.

An interesting provision in the act SB 257 approved in the 1975 legislative session authorizes a lease purchase agreement with private builders if the facilities meet the specifications identified by the State Board of Education. Furthermore, a construction permit can be held in abeyance by the State Board of Education, unless the industrial activity provides evidence that the school district will be able to provide at least minimal school facilities.

CHAPTER VII

SPECIAL DISTRICTS AND IMPACT ALLEVIATION

A device which offers the state legislature a means of circumventing the debt and operating millage constraints of the constitution is a special purpose district. These districts have usually been created to meet local needs which other units of government, such as counties and cities, have been unable to fulfill. Special districts take many forms, including water, sewers, fire and police protection, weed control, and the like. As pointed out by Professor Frank S. Moseley in the Utah Law Review, September, 1966, "One of the most successful means of circumventing the debt limitation has been the "special district." In fact, debt limitations have been largely responsible for the proliferation of special districts. When a municipality has reached its debt limit and is in need of a major improvement, that can be financed by adding a new unit of government - the special district.

The statutes which pertain to special service districts were amended in the 1975 general session of the legislature, as specified in SB 231. Under the act, a county or municipality may establish a service district for the purpose of providing any of the following services: water, sewage, drainage, flood control, garbage, hospital, transportation, recreation, fire protection. The district may include all or part of counties or municipalities. The governing authority of a county or municipality may, by resolution, require the establishment of a service district. Also, a service district can be established by a petition of the owners of 10 percent or more of the assessed value of taxable property included in the proposed service district or by 10 percent or more of the qualified electors of the proposed service district. The service district may issue bonds which are payable, in whole or in part, from taxes to a limit not to exceed 12 percent of the fair cash value of the taxable property in the district. Guaranteed or revenue bonds may be issued in addition to and in excess of the 12 percent limitation after approval by the Department of Community Affairs of the state.

Utah law provides for county service areas in addition to the special purpose districts. The areas may provide municipal-type services to persons residing in unincorporated areas. Among the services which must be provided are police, fire, recreational, water, sewage, garbage collection, and street lighting. The areas are governed by boards of trustees of three or more members appointed by the county commission or by election. The authority may levy up to 5 mills ($5.00 per $1,000 of taxable value) each year on all taxable property within an unincorporated area to finance the approved projects. Bonded indebtedness may be incurred up to a limit of 2 percent of fair cash value of all property. The use of the county service area approach may be hampered by the court decision regarding the provision of municipal-type services in Salt Lake County. The court ruled against the establishment of the area because many of the taxpayers did not benefit from the services being provided.

Comments

The use of special districts has been developed to a high degree of sophistication in the State of Utah. The constitutional prohibition against state aid and tax sharing of state revenues with counties, towns, and cities has resulted in a burgeoning of special district government. Some special districts have been criticized because they often have been established without regard to existing political boundaries and result in a complex of overlapping taxing units. Other disadvantages are 1) the heavy legal expense involved in creation and maintenance; 2) the lack of financial controls over their operations; 3) extra costs involved in limited use that has been made of their capital equipment; and 4) a duplication with other local units in many administrative tasks.

The operating millage and debt limitations confront local government with a condition and not a theory. Consequently, in order to provide necessary public services, many communities have been driven into accepting the special district approach. Until the state constitution is revised to provide for adequate state aid to local units of government, the utilization of special districts is expected to mushroom. Recent legislation has paved the way for increased utilization of this approach to public finance problems and, while not admired as a form of government, has served a useful purpose.

CHAPTER VIII

FINANCIAL STRATEGIES FOR ALLEVIATION OF SOCIOECONOMIC IMPACTS

The state government is faced with several formidable obstacles in designing an adequate program to alleviate adverse impacts in areas of extensive energy development. The tax structure does not include a severance tax on coal and the imposition of a substantial tax has met opposition on the grounds that coal mined in Utah is at a competitive disadvantage. To the extent that there are state tax revenues which could be shared with counties, and towns and cities, this avenue is blocked by the constitutional provision restricting state aids to local units of general purpose government. In addition the $78 million revenues from oil shale bonus payments will be restricted to use by school districts if the court holds that the lands are state lands. If the court holds that they are federal lands the state will receive on the order of $29 million which can be used for alleviation of adverse impacts for other units of government as well as school districts.

On the positive side, the counties will be receiving a substantial amount of additional revenues from in-lieu of tax payments on federal lands. It has been estimated that in rural counties the payments will be equal to 30 to 60 percent of the total county budget in many cases. Additional sources of revenue for mitigation of impacts will result from an increase in coal production and an increased share of mineral royalties and other revenues from federally leased lands. It has been estimated by the Legislative Service Bureau that the state's share of the mineral lease monies will total about $54 million over the next ten years from coal production alone.

Another strategy which may be pursued in the State of Utah involves the establishment of special service districts. The constitution and statutes permit the creation of a district to provide functions which are ordinarily provided by towns and cities when a district is approved in an area. The district can bring into its tax base the valuations of energy developments in unincorporated areas together with the valuations of towns and cities. This strategy adds a new dimension to the efforts in Utah to increase the local tax base for mitigation of financial pressures.

STATE GOVERNMENT

Findings

The State of Utah does not, at the present time, levy a tax on coal and other non-metalliferous mining. Most of the western coal-producing states do levy severance taxes, with the highest levy being imposed in Montana at 30 percent of value on strip mined coal and 20 percent on underground coal. At the present time, industry spokesmen have indicated that over one million tons of coal are being stockpiled in Utah, because most of this coal cannot be sold at a price to cover costs of production and adequate profit margin. The amount of revenue from a coal severance tax would yield $1 million a year per 1 percent.

The Utah constitution prohibits tax sharing and assistance from state taxation for the benefit of local units of government other than school districts. This restriction of the constitution has resulted in difficulties insofar as adopting measures to assist impacted communities are concerned.

The state has enacted legislation to permit the prepayment of taxes by energy developers. This prepayment of sales or use taxes may be used as a credit against future sales or use taxes, as the energy project purchases or brings into the state the machinery and equipment or construction materials to complete the project. The revenues must be used for state related public improvements, including schools.

Various provisions enacted by the state legislature have paved the way for the creation of special districts. These special districts enlarge upon the taxing and borrowing powers of local government. A promising feature of these districts is the inclusion of the substantial taxable properties of energy developments in a tax area which includes the towns and cities. In this manner, the problems of financing rapid growth in public services are largely resolved by the greatly heightened taxable property base.

Alternative Strategies

The legislature should pass a proposed constitutional amendment for approval or rejection by the electorate in the next general election to permit state tax sharing with general purpose governments. In the interim, funds which the state acquires, such as the mineral lease monies, which are now largely distributed to schools and higher education may be distributed to impacted towns and cities, and a substitution from state surpluses or taxation be used to replace these revenues which would flow to education under the current formula. It would appear that the distribution of the mineral lease monies under the federal act and under the state constitution could flow to incorporated areas without violating the constitutional provision on sharing of tax revenues.

The substitution of severance taxes for federal mineral lease monies which go to education is another method which may be used. The mineral lease monies would be then available for town and city assistance without violation of state law.

The pre-payment of tax device has been used in only one instance, and that is the Kaiparowits project, which was aborted. The pre-payment of taxes on the Kaiparowits project was expended for highway and road engineering by the state and hence are not available for refund to the ill-fated project. It is recommended that the pre-payment of sales or use taxes not be encouraged, until the project is actually authorized and begun. The pre-payment of taxes on projects which do not materialize will cause firms to lose money, and hence faith, in the pre-payment mechanism.

The severance taxes from coal production should be enacted with a portion of the revenues being distributed to towns and cities based, preferably, on the residence of such workers. The residences of workers can be established by reports required from the producing companies.

Mineral lease monies, which have been increased under PL 94-377 to 50 percent of the total revenue collected by the federal government, should be distributed to towns and cities under the liberalized distribution formula included in PL 94-579. The federal mineral royalties, which are distributed to counties in the amount of 10 percent of the total from the 37½ percent, which has been distributed historically to counties and education, should be distributed to the towns and cities, since the distribution of such monies to county government is deducted from the in lieu taxes paid on federal lands. The continued channelling of such monies to counties would, in effect, be lost to the counties because of the requirement that they be deducted from in lieu taxes on federal lands.

The towns and cities should be encouraged to use the flow of such funds, in part, to borrow monies under the special funds doctrine, which are not limited by general obligation indebtedness, for immediate front-end financing of public facility infrastructure.

It must be born in mind that schools would not share in mineral lease receipts under this concept. Schools can receive state assistance from taxes. Municipalities cannot receive state aid from taxes and therefore the use of mineral lease revenues affords the state an opportunity to assist towns and cities it may not otherwise have.

Recommended Strategy

The socioeconomic costs resulting from workers employed in coal mining must be financed, whether or not some of the production must be temporarily stockpiled. The costs of government must be met by someone, regardless of the short-run economic position of an industry. Therefore, it is recommended that a severance tax be imposed at a rate substantially less than competing states until the economic viability of Utah production has rebounded. The monies should be channelled to the residences of the workers in such mineral production. If state law prohibits this sharing of taxes with local units of government, an alternative would be a local severance tax at rates not-to-exceed those established in state law.

Severances taxes could be distributed to schools, and an equal amount of state-shared federal mineral lease money could be used as a substitution for municipalities and county governments. The federal mineral lease monies should be used to alleviate community impacts in municipalities and counties exclusively. School districts can share state tax revenues; therefore, mineral lease money used for schools can be diverted to other local government and replaced by state taxation. Thus, the school would suffer no loss in revenues.

COUNTY GOVERNMENTS

Findings

The counties will require a substantial increase in some public facilities, such as roads, during the early years of energy development. Substantial assistance will be provided to rural counties because of the new federal in-lieu-of-tax payment. In rural counties, this will equal 30 to 80 percent of total county budgets.

Counties are not eligible for state tax assistance under constitutional restrictions. These units of government are, however, in a much better financial position than are municipalities, because counties do experience heightened assessed valuations when energy developments occur.

Federal mineral lease money is now available for county general purposes. Under prior federal law, counties were eligible for assistance solely for road purposes.

Alternative Strategies

The money which will be available from the oil shale lease trust fund could be used for loans to counties to be repaid in the future from the increased valuations.

Until the federal law is amended, it may be the better part of wisdom for the state to avoid channelling mineral lease receipts from the 50 percent share of federal mineral lease monies to county governments, since these must be deducted from the in-lieu taxes. The state could substitute these monies with other revenue flows, which are not subject to a deduction against in-lieu taxes.

In areas where counties are pressing against indebtedness or operating millage levy limits, the establishment of special district government should be encouraged to provide the services in unincorporated areas which would ordinarily be provided by county government.

Recommended Strategy

Counties in areas of impacts from energy developments should receive state loan funds. The state loan fund could be established from oil shale funds, federal mineral lease revenues, and severance tax receipts. Loans should be extended on favorable terms.

A special effort should be undertaken to assist those counties affected by energy developments but do not enjoy an increase in taxable valuations from the developments. These counties may require a grant of funds, such as mineral lease monies, rather than merely loans.

MUNICIPALITIES

Findings

The shortfalls of revenues from existing revenue sources, compared with public expenditure requirements to achieve adequate standards of public service, are primarily a town and city problem in Utah. In this sense, the pattern is similar to the other western states which are experiencing energy development.

When energy developments occur, public expenditures are needed immediately to service a burgeoning population of construction workers and their families, as well as a small number of executives. However, town and city valuations are not likely to keep pace with the required services stemming from energy developments. Newcomers to a community often either cannot find moderate priced housing and hence prefer mobile homes or apartments. The large taxable valuation increases take place in the rural, unincorporated areas and therefore do not enhance the taxable valuations of the towns in which workers reside.

State constitutional provisions preclude tax revenue-sharing with municipalities. Without this source of revenue, towns and cities have turned to revenues from utilities, user charges, and the encouragement of special district organizations for additional revenues.

Alternative Strategies

Under recent legislation, the towns and cities may enlarge their taxing jurisdictions to include unincorporated areas. In this manner, huge energy developments may be required to assist in the financing of public facilities and services.

State-shared mineral lease revenue from federal lands could be distributed, in part, to municipalities. The federal act restricting the use of such revenue to education and roads has been amended.

A state loan program could be created to extend loans on favorable terms to municipalities. Oil shale funds could be used for this purpose while still preserving the principal of the funds.

Oil shale funds may be granted, in part, to municipalities if the courts hold that the lease lands are under federal ownership.

If approved, a constitutional amendment to eliminate the restrictions on state sharing of revenue to local general purpose governments could relieve local fiscal pressures.

Recommended Strategy

The increased revenues from state-shared mineral lease revenues from federal lands should be deposited into an impact fund. A board should be authorized to provide either grants or loans to affected communities. Severance tax revenue from mineral development should be used, in part, to enhance the impact fund.

Oil shale funds should be made available for loans to communities impacted by energy developments. The availability, of course, is dependent upon a court decision regarding the ownership of the lands involved in oil shale development.

Municipal governments should encourage the organization of special districts which bring into the tax base the property of energy developments. The provision in Utah law allowing this device to be used should be pursued with vigor. The special district in Emery County is a recent example of the power of this mechanism to alleviate adverse impacts.

SCHOOL DISTRICTS

Findings

The operating expenses of impacted area schools will evidently be adequately financed because of rising assessed valuations from energy development as well as the liberal state aid formula, which is utilized in the State of Utah. The workings of the state aid formula in Utah preclude the possible long-range problem of enriched districts from energy or other developments being over-financed in the future because taxes in excess of the threshold must be shared by all school districts.

On the other hand, the impacted districts may have a short-run problem of building adequate school facilities during the early years of development before all of the assessed valuations from development are on the tax rolls.

A court decision finding that oil shale bonus receipts are from state and not federal land will increase state funds by $49 million, since the state will receive $29 million if the lands are held to be federal. These funds must be deposited into the uniform school aid fund for local school assistance.

Alternative Strategies

The state perhaps should reduce the state general fund assistance to school districts if and when the oil shale bonus impounded funds are released under a court decision holding that the involved lands are state lands. This fiscal action will free up state funds for grants or loans to impacted local communities. Unless this is done, the schools will be receiving a disproportionate assistance from the state compared to the assistance given to county, town, city, and special district government.

School districts which are permitted under current law to increase the millage levy for debt service by an additional ten mills could be encouraged to present such option to the electorate. The oil shale trust fund, which will amount to between $29 million and $78 million, depending upon the court decision, could be placed in a revolving loan account to make loans to school districts and other units of government to meet the immediate capital facility requirements to be paid from increased valuations which result from energy development a few years in the future. The rates of interest on such loans could be set at the same rate the state obtains on its invested funds.

Recommended Strategy

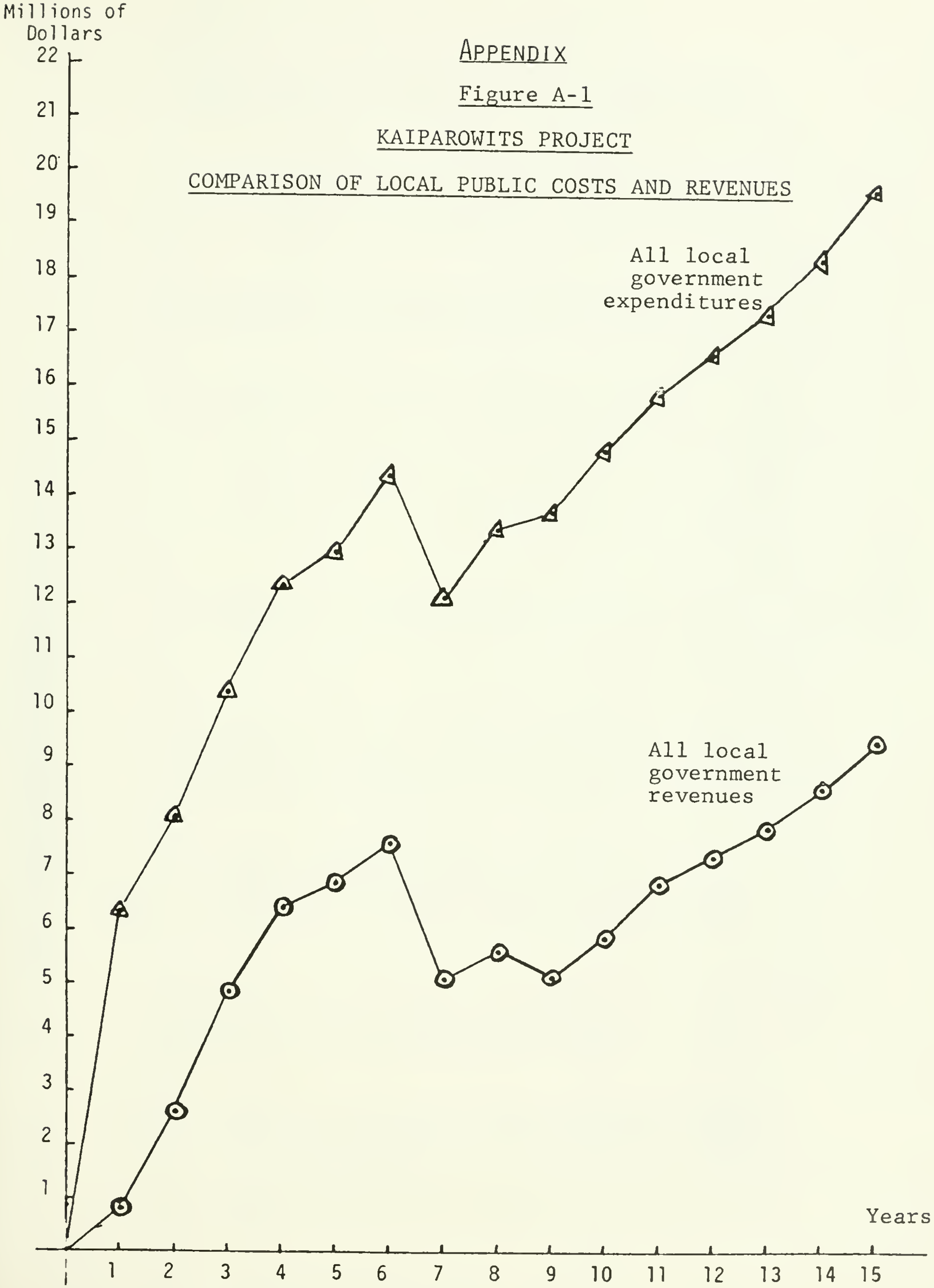
The state should increase aid for school facility construction. In addition, a state loan program using a revolving fund of oil shale funds and other loanable money should be instituted. These loans should be awarded to school districts in areas impacted by energy developments.

APPENDIX

Figure A-1

KAIPAROWITS PROJECT

COMPARISON OF LOCAL PUBLIC COSTS AND REVENUES



Source: Reed Searle, Utah Legislative Research, 1977

Table A-1

Kaiparowits

NEW TOWN AND OTHER LOCAL GOVERNMENT CURRENT COSTS ASSOCIATED WITH A TYPICAL ENERGY DEVELOPMENT

				CURRENT EXPENDITURES (000)							
Years	Capture Rates for New Town (a)	Pop. Of The New Town	Pop. In Other Communities	Town Per Capita (a)	New Town	Other Communities	County Per Capita (a)	County	Education Per Capita (a)	Educaiton	Total
1	.20	383	1534	125	47.9	191.8	55	105.4	982	569.7	909.8
2	.25	1341	4023	131	175.7	527.0	58	311.1	1050	1689.5	2703.3
3	.30	2842	6632	138	392.2	915.2	61	577.9	1117	3174.5	5059.8
4	.35	4297	7979	145	623.1	1157.0	64	785.7	1185	4363.2	6929.0
5	.40	5112	7668	152	777.0	1165.5	67	856.3	1252	4800.2	7599.0
6	.45	6469	7907	160	1035.0	1265.1	70	1006.3	1320	5691.8	8998.2
7	.50	5148	5148	168	864.9	864.9	74	761.9	1387	4283.1	6774.8
8	.60	6428	5260	176	1131.3	925.8	77	900.0	1455	5101.2	8058.3
9	.70	8091	3468	185	1496.8	676.3	81	936.3	1522	5276.8	8386.2
10	.75	9097	3032	194	1764.8	588.2	85	1031.0	1590	5786.0	9170.0
11	.75	9990	3330	204	2038.0	679.3	90	1198.8	1657	6621.4	10537.5
12	.75	10206	3402	215	2194.3	731.4	94	1279.2	1725	7041.5	11246.4
13	.75	10395	3465	225	2338.9	779.6	99	1372.1	1793	7455.3	11945.9
14	.75	10868	3622	236	2564.8	854.8	104	1507.0	1860	8085.4	13012.0
15	.75	11475	3825	245	2811.4	937.1	109	1667.7	1928	8849.5	14265.7

(a) Assumptions

Source: Reed Searle, Utah Legislative Research, 1977.

Table A-2

RECEIPTS TO THE FEDERAL GOVERNMENT FROM MINERAL LEASING ON PUBLIC LANDS IN UTAH AND UTAH'S SHARE, 1968-75

	Oil & Gas	Percent of Total	Coal	Percent of Total	Phosphate	Potash	Sodium	Other	Total	Utah's share (37.5 percent) of total
1968	$7,412,190	92.8	$427,773	5.4	$20,800	$95,695	$141	$28,428	$7,985,027	$2,994,385
1969	8,029,724	92,8	466,863	5.4	14,973	90,200	---	47,158	8,648,918	3,243,344
1970	8,012,149	92.7	536,089	6.2	15,027	48,533	---	34,281	8,646,079	3,242,279
1971	8,575,974	92.6	593,731	6.4	13,371	55,651	---	25,436	9,264,163	3,474,061
1972	9,371,280	93.4	368,805	5.7	9,180	64,749	---	21,577	10,035,591	3,763,346
1973	10,556,836	92.6	678,628	6.0	19,880	44,385	---	98,788	11,398,517	4,274,444
1974	12,115,410	90.0	1,186,239	9.0	31,218	47,801	---	23,697	13,404,365	5,026,636
1975	13,348,000	93.8	764,141	5.3	8,934	59,771	---	49,940	14,776,040	5,353,500

Source: U.S. Department of Interior, Bureau of Land Management, Public Land Statistics, (Annual editions, 1968 through 1975).

Table A -3

ESTIMATED PAYMENTS OF FEDERAL ROYALTY BY THE COAL INDUSTRY

	TOTAL FEDERAL		TOTAL STATE	
Fiscal Year	Old Royalty Schedule	New Royalty Schedule	Old Royalty Schedule	New Royalty Schedule
1976	$ 640,000	$ 1,296,000	$ 240,000	$ 648,000
1977	880,000	3,198,000	330,000	1,599,000
1978	1,112,000	4,042,000	417,000	2,021,000
1979	1,322,000	4,806,000	496,000	2,403,000
1980	1,597,000	5,828,000	599,000	2,914,000
1981	1,843,000	14,936,000	691,000	7,468,000
1982	1,989,000	16,900,000	746,000	8,450,000
1983	2,025,000	18,685,000	759,000	9,342,000
1984	2,025,000	18,685,000	759,000	9,343,000
1985	2,025,000	19,410,000	759,000	9,705,000
TOTAL	$15,458,000	$107,786,000	$5,796,000	$53,893,000

Percent Increase 830%

Summarizing the table above, over the 1976-1985 period, the state's share of Federal coal royalties increases from approximately $5.8 million to $53.9 million, which is a substantial 830% increase and provides ample funds to help those areas socially and economically impacted by development of coal. In addition, the magnitude of these increased revenues must be taken into consideration when considering the issue of a Severance Tax on the coal industries. In total, the increase in Federal royalty payments is such that the long term economic viability of Utah's coal industry must be examined closely, since this royalty cost must be passed on to the consumer and will make Utah coal more uncompetitive.

Source: Legislative Service Bureau of Utah.

Table A-4

ASSUMPTIONS ON ENERGY-RELATED DEVELOPMENT, FOUR CASE STUDY AREAS, 1975-1990

New Energy-Related Facilities Planned	Location	Capacity/ Annual Output	Estimated Cost (Millions of 1975 Dollars)	Construction Period: Under Low Development Profile	Construction Period: Under High Development Profile	Peak Construction Force	Eventual Permanent Labor Force
Emery County Case Study							
(1) Utah Power and Light (Huntington)	7 miles northwest of Huntington	830 megawatts (2.4 million tons coal/ year)	$ 331	1972-1977	1972-1977	975[d]	530[e]
(2) Utah Power and Light (Emery)	2 miles south of Castle Dale	830 megawatts (2.4 million tons coal/ year)	$ 493	1975-1980	1975-1980	950[f]	530[h]
(3) Utah Power and Light (units 5 and 6)	South of Castle Dale	830 megawatts (2.4 million tons coal/ year)	$ 500	1980-1985	1980-1985	850[h]	480[h]
(4) Utah Power and Light	Western Emery County	830 megawatts (2.4 million tons coal/ year)	$ 500	----	1982-1987	850[h]	480[h]
(5) Intermountain Power Project	Plant 10 miles north of Cainesville, Wayne County; mines in eastern Sevier or southern Emery County	3,000 megawatts (9 million tons coal/year)	$ 3,100	----	1981-1986	2,500 plant[d] 1,000 mine[h]	507 plant[g] 2,000 mine[i]
(6) Export Mines							
(a) Expansion of present mine	Southern Emery County	700,000 tons/year	$ 4	1976-1978	1976-1978	50[h]	200[h]
(b) Mine A	Northwest Emery County	1.0 million tons/ year	$ 16	1977-1980	1977-1980	70[e]	300[e]

Table A-4 (continued)

ASSUMPTIONS ON ENERGY-RELATED DEVELOPMENT, FOUR CASE STUDY AREAS, 1975-1990

New Energy-Related Facilities Planned	Location	Capacity/ Annual Output	Estimated Cost (Millions of 1975 Dollars	Construction Period Under Low Development Profile	Construction Period Under High Development Profile	Peak Construction Force	Eventual Permanent Labor Force
Emery County Case Study (continued)							
(c) Mine B	West Emery County	3.0 million tons/ year	$ 30	1979-1981	1979-1981	250^{e}	550^{h}
(d) Mine C	West Emery County	3.0 million tons/ year	$ 30	1980-1982	1980-1982	250^{h}	550^{h}
(e) Mine D	West Emery County	3.0 million tons/ year	$ 30	1980-1982	1980-1982	250^{h}	550^{h}
(f) Mine E	West Emery County	3.0 million tons/ year	$ 30	----	1979-1980	250^{h}	550^{h}
(g) Alunite	West Emery County	1.0 million tons/ year	$ 16	----	1976-1978	100^{h}	300^{h}
(7) Railroad spur	Price-Huntington Price-Emery		$ 8 $ 32	1979-1980 ----	1979-1980 1980-1982	100^{d} 130^{e}	10^{e} 40^{e}

(8) Uranium and tar sands development in Emery County is not expected to be significant before 1985.

---

[d] Capture rate for employees in Emery residence = 30 percent

[e] Capture rate for employees in Emery residence = 50 percent

[f] Capture rate for employees in Emery residence = 40 percent

[g] Capture rate for employees in Emery residence = 0 percent

[h] Capture rate for employees in Emery residence = 75 percent

[i] Capture rate for employees in Emery residence = 75 percent, assumes no new town connection with IPP

Table A-5

COMPARISON: COUNTY BUDGETS, 1975, WITH PAYMENTS IN LIEU OF TAXES ESTIMATES

	Total Budget 1975	Payments in lieu of tax (federal)**	% of 1975 Budget
Beaver	$ 232,419	194,987	83.9%
Box Elder	1,953,869	718,473	36.8
Cache	1,685,694	178,129	10.6
Carbon	1,086,743	323,679	29.8
Daggett	167,916	33,300	19.8
Davis	4,515,988	23,514	0.51
Duchesne	1,628,760	349,421	21.5
Emery	856,089	280,092	26.9
Garfield	453,572	157,650	34.8
Grand	876,350	240,599	27.5
Iron	789,119	421,452	53.4
Juab*	775,718	229,429	29.6
Kane*	265,373	165,000	62.2
Millard	601,715	328,000	54.5
Morgan*	415,306	14,129	03.4
Piute	156,284	55,358	35.4
Rich	301,618	72,285	24.0
Salt Lake	51,268,500	68,020	0.13
San Juan	1,334,702	354,742	26.6
San Pete*	626,224	377,165	60.2
Sevier	619,994	334,400	53.9
Summit	2,021,510	267,219	13.2
Toole	1,297,999	580,590	44.7
Uintah*	1,526,337	322,340	21.1
Utah	4,703,764	425,857	08.7
Wasatch	741,690	275,250	37.1
Washington	1,104,071	477,746	43.3
Wayne	203,477	85,000	41.8
Waber	5,969,284	49,111	0.82
TOTAL	$88,379,685	$7,352.937	08.3%

* Counties on Biennial audits; thus budget totals for 1974 have been substituted in place of 1975 totals

** Estimates

Source: Utah Legislative Council

Section Seven: Wyoming

STRATEGIES FOR ALLEVIATION OF SOCIOECONOMIC IMPACTS IN WYOMING COMMUNITIES

By Leonard Bronder, Resource Economist
Western Governors' Regional Energy Policy Office

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CHAPTER 1

THE SETTING: RISING MINERAL PRODUCTION AND RELATED DEVELOPMENTS IN WYOMING

The population of the State of Wyoming increased from 290,000 in 1950 to 332,416 in 1970. A further increase to 390,000. persons is estimated for 1976. Personal income rose from $750 million in 1950 to $1,300 million in 1970 and to $2,294 million in 1975. Data and estimates are from the U.S. Bureau of the Census.

Total earnings from mining now exceed agriculture, as well as manufacturing, as a source of basic income. In 1975, personal earnings from mining were $301 million, compared with $58 million in agriculture and $113 million in manufacturing. The income from mining has increased by 109 percent since 1973 while total personal income has risen by 31 percent.

The production of minerals has risen sharply during the past decade and a half. Oil and gas production has leveled off and is projected to remain steady or decline. Coal, uranium, bentonite, and trona production has been increasing in recent years and is expected to continue to rise during the next five years although the magnitude is unclear.[1]

Rising mineral production has boosted the assessed valuation of minerals from 32% of the state's total valuation in 1965 to 48% in 1975. The dollar increase has been from $352 million in 1965 to $1,044 million in 1975. By mineral source, the percentages of total property valuations are: oil, 38.4%; gas, 3.0%; coal, 3.3%; uranium, 0.9%; and all other, 2.4%. Despite the leveling off of oil and gas production, the assessed valuation has risen sharply because of substantial price increases.

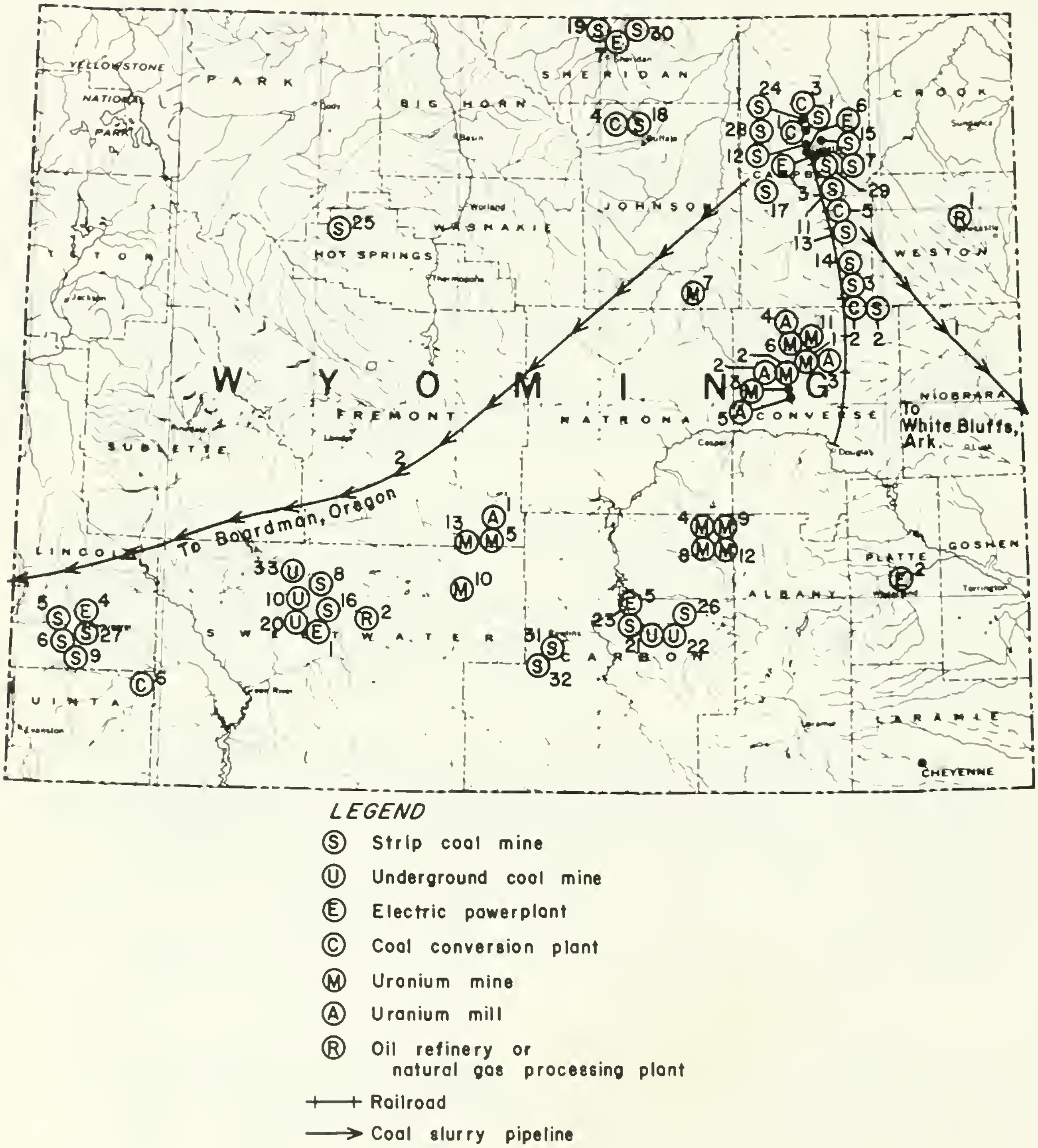
Mineral production and valuations occur in clusters in the state. The following eight counties account for 82% of the mineral valuation: Campbell, 26.3%; Park, 13.7%; Natrona, 9.9%; Sweetwater, 9.3%; Fremont, 6.5%; Converse, 6.3%; Hot Springs, 5.1%; and Carbon, 4.9%.

---

[1] . In physical volume, the production of coal has jumped from 7.2 million in 1970 to 29.2 million tons in 1976 and is projected to rise from 60 to 110 million tons by early 1980. The additional capacity to produce is expected to accelerate toward the end of the 1970's. These forecasts are reflected in the *Wyoming Mineral Yearbook* and the *Coal Mine Expansion Study (May, 1976)*, sponsored by the Federal Energy Administration. Note: The Governor's Director of State Planning Coordination does not agree with the FEA projection because of many state, federal, and economic constraints upon private industry.

Figure 1

FUTURE FUELS-RELATED PROJECTS IN WYOMING



Source: *Information Circular No. 8719,* U. S. Bureau of Mines, May, 1976.

In addition to the mining of coal, various locations in the state will experience a growth in mineral-related developments. The coal mining expansions and related developments, such as power plants, coal conversion plants, and slurry lines to 1985 are identified in Figure 1. These projects are taken from *U.S. Bureau of Mines, Information Circular 8719,* which are largely forecasts of tentative industry plans.

This recent report forecasts the following expansion in energy developments in Wyoming from 1976 to 1985: Coal, 33 mines; electric power, 11 plants; uranium, 11 facilities; coal conversion, 11 plants; and coal slurry, 2 projects. The U.S. Department of Labor projects 1,698 workers in underground mining; 4,146 workers in surface mining; 3,596 workers in electric power plants for construction, 693 in operations, 5,008 workers in coal conversion for construction and 1,868 for operations. These are workers in addition to the current work force.[1]

Mineral production and the allied energy developments are occurring in clusters in Wyoming. Consequently, the strain of development on the communities, which are called upon to house, educate, and provide the other necessary private and public facilities and services, is localized. As a rule, the localized strain of rapid development in Wyoming is focused upon a certain town or city. For example, the largest town within 100 miles of Rock Springs-Green River has a population of less than 700 persons. Over 80% of the people in the county live in Rock Springs or Green River.

The phenomenon of accelerated development is a mixed blessing. On the positive side, it can be observed that ordinarily wage and salary incomes rise, unemployment declines, property values increase, retail trade and business services enjoy increased receipts, and both the young and older workers are better able to find jobs. (See *Selected Welfare Problems Associated with Rapid Energy Development in the Rocky Mountain Region,* Professor R. Vandermullen and Ormand Parnanem, University of Wyoming, 1976.)

Unfortunately, accelerated development is often associated with negative impacts as well. These include a breakdown in health services, transportation, recreation, educational services, and fire and police protection. The impact on public services and facilities is paralleled by the delays in the provision of adequate private services, such as housing, and services such as restaurants, retail shops, repair shops, and medical facilities. The lack of amenities is reflected in social disorders, such as mental ailments, divorce, absenteeism, low productivity, alcoholism, and a general malaise.[1]

---

[1] U. S. Department of Labor, Region VII, *Energy-Employment: The Critical Dependency in the U. S. Economy.* Note: Construction work force based upon annual needs, 1976-85.

This report is designed to identify alternative solutions to the problems of financing housing and public facilities in Wyoming boomtowns. It addresses these facets of the problem while recognizing that the other problems which arise in rapidly developing areas are very important as well.

(Comments: The State of Wyoming Planning Office has stated that the projections of future mineral fuels developments from the U.S. Bureau of Mines report are probably not physically possible. Constraints of labor and equipment requirements, environmental considerations, etc. would be likely to restrict the scale of energy developments far below the industry targets.)

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[1] See *The Gillette Syndrome,* El Dean Kohrs, American Association for the Advancement of Science, April 24-26, 1974. Laramie, Wyoming.

CHAPTER II

WYOMING STATE FINANCES AND THE ALLEVIATION OF SOCIO-ECONOMIC IMPACTS

State and local government in Wyoming received $519.3 million in general revenues in 1974-75. The most recent statistics released by the U. S. Bureau of Census show that the percent of revenues by levels of government were: federal, 27.4 percent; state, 39.7 percent; and local, 32.9 percent. For all fifty states the shares of state and local general revenues were: federal, 20.6 percent; state 42.4 percent; and local, 37.0 percent. Western states such as Wyoming received above average distributions of federal funds due to (1) large amounts of federal land, (2) federal mineral royalties, and (3) the weight given to land area in federal fund distribution formulas.

The revenues received by state and local government in Wyoming (after intergovernmental transfers) were $261.9 million, or 50.4% for state government, and $257.4 million, or 49.6% for local governments. Nationally, the percentages were: state, 36.6% and local, 63.4%.

STATE REVENUES

The state receives revenues from a variety of sources. These sources include tax revenues, federal aid, and revenue sharing funds, royalty income from state and federal lands, and interest income from investments.

As shown in Figure 1, total general revenues in 1974-75 were $206.2 million excluding $130.4 million in intergovernmental revenues of which $124.7 million was federal and $5.7 million local government. Other revenues were: taxes, $154.3 million; current charges, $19.2 million; and miscellaneous, $32.9 million.

TAX REVENUES

Wyoming state tax collections were $154.3 million in 1974-75. Major tax sources were: general sales and use taxes, $73.2 million; motor fuels, $20.5 million, severance taxes, $18.2 million; motor vehicle registration fees, $17.4 million; hunting and fishing fees, $7.2 million; property taxes, $5.8 million; tobacco excises, $4.3 million; and insurance premium taxes, $3.1 million.

The state government received $3.6 million in federal revenue sharing funds in FY 75.

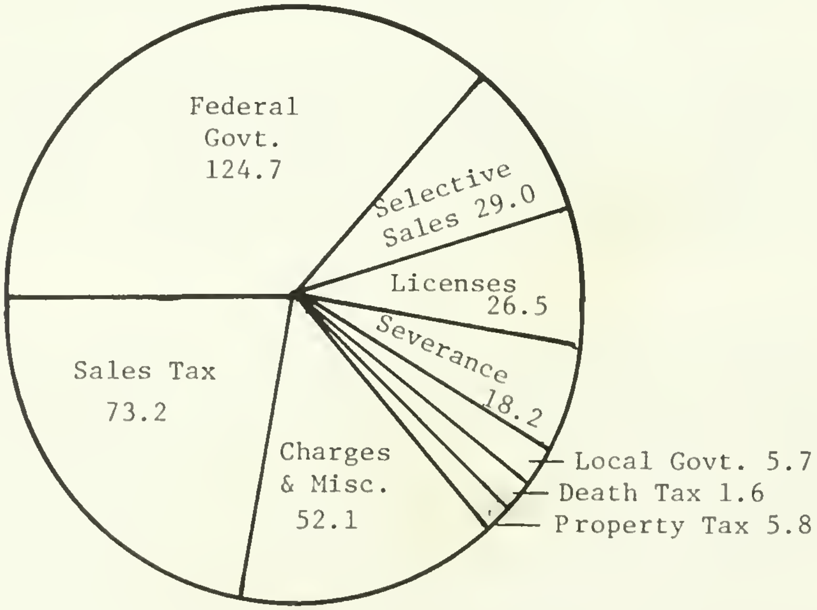
Federal royalty payment to the state government, including grazing fees, totalled $33.7 million in FY 75. These funds were distributed as follows: school foundation fund, $16.7 million; state highway fund, $11.7 million; county roads, $2 million; university building, $3 million; and Taylor Grazing Act fund, $0.3 million.

STATE EXPENDITURES

State general spending was $330.6 million in 1974-75. Direct expenditures, excluding $80.1 million in government transfers, was $220.5 million. The state directed the major portion of spending for two categories: highways, $81.6 million, and education, $47 million. Other state spending was for the following purposes: natural resources, $18.5 million; welfare, $17.5 million; health and hospital, $14.6 million; financial administration, $7.7 million; employment security, $7.4 million; general control, $3.4 million; police, $3.3 million; and corrections, $3.2 million. These expenditures did not include state aid for education and other transfer payments which are distributed as follows: schools, $50.5 million; counties, $10.9 million; municipalities, $18.1 million.

Figure 2

WYOMING STATE GENERAL REVENUES 1974-75
in millions of dollars



Source: U.S. Bureau of Census

MAJOR TAXES AND REVENUE DISTRIBUTION[1]

A state sales tax of 3 percent is levied on sales of personal property, including services such as amusements, public utilities, and a variety of business services. The yield in fiscal 1975 was $60.4 million. The distribution is one-third to counties and cities and two-thirds of the total to the state's general fund. Incorporated cities and towns receive the revenues returned to the county of collection in proportion to the population in cities and towns to the entire county population, based upon the last U.S. census. County government receives the remainder for its purposes.

A state use tax of 3 percent complements the sales tax by taxing personal property purchased outside and brought into the state. The use tax collections were $12.9 million in 1975, and one-sixth returned to the counties for the cities, towns, and county purposes.

Motor vehicle registration and motor carrier fees are deposited into the state highway fund. The yield in fiscal 1975 was $18.4 million.

A state motor fuels tax of 8 cents per gallon is levied. The yield in fiscal 1975 was $20.5 million. The revenues are distributed as follows: of the first 6 cents, after all exemptions, refunds, and deductions for administration, cities and towns, 0.33 cents; state highway department, 4.92 cents; counties, 1.75 cents. The remaining one cent of the distribution is to political subdivisions based on quantity of sales.

A general property tax with all taxable property assessed at its fair value, but 25 percent of total cash value in practice, is levied. However, the gross values of minerals produced are assessed at 100 percent of value, in lieu of an assessment on land. Rates are the aggregate of state and local levies, variable according to location Machinery and equipment are valued at depreciated amounts and assessed at local assessment levels. The state property tax is levied to support schools under the School Foundation Program. Property tax support in 1975 was $5.8 million from a uniform state levy of 2.67 mills.

A state cigarette tax of 8 cents per package is levied. The yield in fiscal 1975 was $4.2 million. The distribution is 37½ percent to the state general fund and 62½ percent to cities and counties, based upon sales.

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[1] Tax and revenue data are based on *State Government Finances in 1975,* U. S. Bureau of the Census.

An inheritance tax is levied at graduated rates. The yield was $1.6 million in fiscal 1975. Revenues are deposited in the state general fund. An excise tax is levied at 3 cents per pint for fermented liquors, 10 cents per pint for spirituous, and 6 cents per gallon for malt liquors. The yield in fiscal 1975 was $1.1 million to the state general fund.

A corporate franchise fee is levied based upon evaluation of corporate assets. The yield in fiscal 1975 was $236,000 and is deposited in the state general fund.

The insurance premium tax is based upon a percent of total premium income. The yield was $3.1 million in FY 75. Fire insurance premiums are deposited 40% to volunteer firemans' pension fund, 50% to a firemans' pension and contingency fund, and 10% to the general fund. Other premium taxes are paid into the state's general fund. A public utilities tax, which was $294,000 in FY 75, is earmarked for the Public Service Commission. The bank excise tax, which totalled $198,000 in FY 75, is returned to the county to be distributed as the property tax is allocated.

Severance Taxes
(As Amended by Enrolled Acts 117 and 118, March, 1977)

The basic severance or excise tax on coal is 8.5 percent of the value of the gross products extracted. Revenues are distributed as follows: a 2 percent excise tax to the state general fund; a 2.5 percent tax for the state permanent trust fund; a 1.5 percent tax to the water development account; a 1.5 percent tax for specified capital facilities, (with 15 percent of the revenue earmarked for school district capital construction, 10 percent for community college construction and not-to-exceed $6 million for state highways); and a 1 percent tax for state highway purposes.

An additional privilege tax on coal is levied as follows: coal produced in 1974, 0.4 percent of the value of coal produced; coal produced in 1975, 0.8 percent; coal produced in 1976, 1.2 percent; coal produced in 1977, 1.6 percent and coal produced in 1978 and thereafter, 2 percent until $160 million is raised. The funds are for water, sewer, highway, road, or street projects in areas impacted by coal development.

The total severance tax on coal will be 10.5 percent of the value of gross products in 1978.

Uranium and trona excise or severance taxes are 5.5 percent of the value of the gross product. The revenues are distributed as follows: a 2 percent tax for the state general fund; a 2 percent tax for the state permanent trust fund and a 1.5 percent tax for capital facilities. (See above for use of funds).

Petroleum, natural gas and oil shale production is taxed at 4 percent of the value of the gross product. The revenues are distributed as follows: a 2 percent tax for the state general fund and a 2 percent tax for the state permanent mineral trust fund.

Precious metals, soda, saline, bentonite or other valuable deposits are taxed at a rate of 2 percent of the gross production value.

COMMENTS

The state revenue system in Wyoming is similar to the other fifty states, insofar as the utilization of sales and excise taxes and the minimal use of the property tax at the state level are concerned. A striking difference is the absence of a state individual or corporate income tax. Corporate income taxes are levied in all except four states, and individual income taxes are levied in all except six of the fifty states.

Recent increases in the severance taxes have changed the rate on coal production from a top rate of 6 percent in 1978 to a top rate of 10.5 percent of gross value. The amount of the increased revenues devoted to impacted communities is minor.

Wyoming does not make as great an effort to channel monies to local government as do the majority of western states. State aids and tax-sharing in 1974-75 was $80.1 million or 27 percent of state general expenditures. A Wyoming official has commented that state aid may be a misleading statistic, because the local sales tax and mineral production taxes could be state levies if the statutes were amended. Hence, state aid is, to a degree, a function of tax legislation. (The author agrees but points out that similar statements can be made in regard to the other western states.)

A disparity exists in the distribution of sales and use taxes. Local government receives one-third of the state sales tax and only one- sixtieth of the state use tax. Presently, the local share of the use tax from imported machinery and equipment is allocated only to the county in which the machinery is located. The impacted communities into which heavy mining machinery is brought from outside of the state would be benefited by a change in the use tax distribution.

As will be noted in the remainder of this report, the state must address the shortfall in tax and other revenues in cities and towns in particular. This situation may require measures such as *the availability of greater amounts of loanable funds, the transfer of additional state taxes and mineral royalty monies, and a relaxation of indebtedness limitations in impacted communities. These actions will be more feasible if the severance taxes are increased or an income tax is imposed and the courts sustain the Community Development Authority Act.*

An increase in revenue is required in the impacted units of government. A recommendation for channelling larger amounts of revenues to impacted areas is described in the recommendation section of the report.

CONSTITUTIONAL LIMITATIONS

The Constitution provides for two limitations on state property taxation. A limit of four mills is placed upon levies for state general purposes, excluding educational and charitable institutions, and a limit of six mills for public school purposes. As is the custom in other states, limits do not apply to levies for debt and interest payments. State indebtedness is limited to 1% of the assessed valuation of property, if the indebtedness is approved by the electorate.

STATE DEBT, INVESTMENTS AND TRUST FUNDS

The state has no long or short-term general obligation indebtedness. The only indebtedness of the state is revenue bond inbedtedness which totalled $77.3 million in FY 75, of which $72.4 million was debt of state institutions of higher education.

Interest income was $20.2 million in FY 75; the interest from other than retirement and pension funds was $12.9 million.

The state investments including various cash accounts for 1975-76 are shown in Table 1, from the State Treasurer's Report. Investments are generally held in U.S. government securities, state banks, savings and loan institutions, and high-grade corporate bonds as shown in Appendix Table A-1. Included among the state's assets are farm loans and irrigation loans, in the amount of $50 million, community college loans, $4.6 million, and loans for state building purposes, $4.8 million.

Mineral trust funds, which receive revenues from a 2% severance tax on mineral production, have grown to a total of $58.8 million, as of September 1, 1976. The interest earned on these funds is deposited in the state general fund. These and other cash funds totalled $188.9 million.

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1. *State Government Finances in 1975,* U. S. Bureau of the Census.

Table 1

CASH AND INVESTMENTS ACCOUNTS OF WYOMING STATE GOVERNMENT
August 31, 1976

Investment - Cash	$188,897,291
Investment - Permanent Funds	157,393,067
Investment - Other Funds	148,609,009
Investment - Emp. Security Com. Revenue Funds	260,000
Investment - Federal Revenue Sharing Funds	1,554,040
Investment - Game & Fish Trust and Agency Fund	-0-
Total Investments	$496,713,408
Time Deposits - Open Accounts	$ 33,960,000
Savings & Loan Deposits	4,005,000
First National Bank & Trust (Checking Account)	3,934,135
First National Bank, Laramie(Univ.Clearing Acct)	50,000
Accrued Interest and Premium Account	561,053
Petty Cash Accounts	23,660
Cash and Deposits	$ 42,533,848
GRAND TOTAL	$539,247,257

Source: Wyoming State Treasurer's Annual Report, 1976.

COMMENTS

The state has utilized permanent trust funds to aid impact areas by means of Farm Loan Board loans under the Joint Powers Act. These loans have a favorable interest rate of 5½% currently and are a meritorious use of the permanent trust funds. There are limits in utilizing permanent trust funds for community loans because there is outstanding authorization for farm loans and irrigation loans which will be made from permanent trust funds.

A source of additional permanent trust fund money is the mineral trust funds generated from a two percent severance tax. This fund has a balance of $58.8 million, which could be lent to communities to alleviate impacts. The interest from the investments is required to be deposited in the state general fund. The state in addition has a general fund surplus which would appear to exceed the need for general fund liquidity. The mineral trust funds, coupled with appropriations from the general fund surplus, may make available, if authorized, $60 million or so, which could be utilized for grants and loans to local communities. The merit of such an action must be evaluated by the governor and the state legislature.

STATES MEASURES TO ALLEVIATE IMPACTS

Among the positive measures enacted by the state to alleviate community impacts are: (1) an optional one percent sales tax, which may be adopted by counties for county government and incorporated cities and towns; (2) the coal impact tax; (3) the Joint Powers Act, which includes authorization for $40 million in loanable funds for areas impacted by coal development; (4) the Industrial Siting Act; and (5) the Community Development Authority. These measures have placed Wyoming in the forefront among western states insofar as strategies to alleviate community impact situations are concerned.

The optional sales tax has enabled cities and counties throughout the state to share in this important source of additional revenue. The counties which have voted to impose this tax at one percent are: Campbell, Converse, Niobrara, Platte, Unita, Weston, Hot Springs, Sweetwater, Natrona and Teton.

These areas, except for Teton County, have experienced mineral production or allied energy development which has increased the need for additional revenues.

The coal impact tax, which has been described already, will furnish a source of revenue projected to reach $10 million/year by the early 1980's. The projected amounts of revenues which will be available by year are shown in Appendix Table A-2. The present legislation authorizes the tax to be collected until $160 million has been received over the years. A minimum of at least 50 percent of the receipts must be spent for roads, streets, and highways. The remainder has to be spent for water and sewer projects. The funds which have been granted to various projects through September, 1976, are shown in Appendix Table A-3. An important use of the grant is to provide money to service the debt incurred under Joint Power Act loans.

The Wyoming Joint Powers Act (Sections 9-18.3 through 9-18.20 of the statutes) authorizes counties, municipalities, school districts, or special districts to provide facilities or services jointly. The functions which two or more agencies may joint plan, create, finance, and operate are: water, sewerage, or solid waste; recreational; police protection and fire protection; transportation; public school; community college; hospital and related medical; courthouse and jail or administrative office; public health; and electrical systems owned by municipalities. The local Joint Powers Boards may receive loans with the title to the property held by the state Farm Loan Board as shown in Appendix Table A-4. After repayment of the loan, the title is to be conveyed to the appropriate participating agency. The joint projects may be financed by the local Joint Powers Board from (1) contribution of funds from one or more participating agencies;(2) by bond agencies; (3) by revenue bond issues in accordance with the procedures for the issuance of hospital district bonds; (4) by facilities private owned and leased to two or more agencies or a Joint Powers Board if the lease agreement provides for title to vest in the participating agencies after termination; and (5) by gifts, donations, or grants of federal money. The State Treasurer, with the approval of the Governor, may invest permanent state funds in bonds and securities issued by the joint agencies. The state Farm Loan Board is currently authorized to make loans not to exceed $40 million nor a term of more than 40 years for repayment. While the range in interest to be charged for the loans is between four and eight percent, the Farm Loan Board is currently charging 5½ percent. Farm Loan Board loans may be made for other purposes as shown in Appendix Table A-5.

The Wyoming Industrial Development and Siting Act mandates the developer to alleviate the socioeconomic impacts associated with certain types of energy development. The Act will be applicable to a facility which has any of the following attributes:

a. it is designed to generate at least 100MW of electricity, or an addition to a facility to increase capacity by 10 MW or more;

b. it is designed to produce at least 100 million cubic feet of synthetic gas per day, or an addition to an existing facility to increase capacity by 100 million cubic feet per day;

c. it is designed to produce 50,000 barrels of liquid hydrocarbon products per day, or additions to existing facilities to increase capacity by 50,000 barrels per day;

d. it is designed to enrich uranium minerals from U308 in quantities exceeding 500 pounds of U308 per day; or

e. any facility costing $50 million or more in 1975 dollars.

Under the Siting Act, a siting permit will not be issued unless the cumulative effect of the facility on the environmental, social, and economic conditions in the area, in conjunction with other facilities, will not substantially impair the health, safety and welfare of the people. The Jim Bridger plant in Sweetwater County was the first facility which was subject to the Act.

The Missouri Basin Power Plant, located at Wheatland, Wyoming, was the second major facility to be sited in accordance with the Act. A siting permit was not issued until Missouri Basin developed a very comprehensive set of plans for impact alleviation. This Act places the burden of impact alleviation on the developer. Since no other energy developer has applied for a siting permit under the Act, it is uncertain at this time as to whether Missouri Basin has set a precedent as to the degree of impact alleviation required by the state of the developer in accordance with the Act.

In 1975 the Wyoming legislature enacted legislation to establish a Community Development Authority. The quasi-governmental agency was given the authority to issue revenue bonds of up to $100 million to finance necessary public facilities, to own, operate, or lease public facilities in their own right, and to involve the Authority in special purpose financing in housing. The Authority is under the jurisdiction of a 9-member board consisting of the Governor, the State Treasurer, and seven other members appointed by the Governor.

The Authority was given the power to market CDA bonds which would be exempt from federal taxation and therefore command a favorable interest rate. The bonds would be backed by a special reserve fund financed out of the mineral severance tax to the extent of one-half of one percent to be used if the primary reserve fund created by capitalizing the initial revenues from the issuance of the bonds is not adequate. In order to test the constitutionality of the legislation and prior to the issuance of any bonds, a friendly suit has been instituted in the Wyoming District Court and appeal to the Supreme Court is anticipated. Among the questions which are being considered by the Court are (1) is the revenue bond financing authorized, including the financing of purchases of private mortgages and loans to mortgage lenders, for a public purpose, as required by the Constitution; (2) whether the coal impact tax authorized by legislation violates that section of the Constitution which provides that money shall be paid out of the state treasury only upon appropriation; (3) would a lease of impact facilities by the CDA to a local government constitute an indebtedness in contravention of that section of the Constitution eliminating county, municipal, and school district debt; and (4) does the authorization for loans to the state highway commission contravene the state debt limitations? The Supreme Court has not decided the litigation as of this writing, and further action by the CDA is being held in abeyance until the court makes its decision. The Authority's executive director and staff have contacted local communities throughout the state and have about $50 million in projects which appear to merit funding as soon as the court decision is rendered and the bonds are floated in the money markets.

PREPAYMENT OF TAXES

A device to receive revenues from advance tax payments by industry has been suggested as a possible means of financing front-end community needs. Utah provides for prepayment of sales taxes and Montana provides for prepayment of property taxes. Montana has not used this authority as yet.

The use of prepaid taxes in Wyoming has been analyzed for the Department of Economic Planning and Development by Professor David Minge, University of Wyoming, College of Law. Professor Minge, in a memorandum dated November 4, 1974, presents several arguments which cast a doubt on this approach. Among the arguments against voluntary payments are the following: (1) a county treasurer may be reluctant to collect prepayments because the law does not provide for it and he has only powers expressly granted; (2) the treasurer would have no guidelines to apportion the prepayment; and (3) the voluntary prepayment of property taxes would presume the property is not destroyed and assessments and mill levies do not change.

Mandatory prepayments also are held to be questionable in the legal and financial sense. This discrimination among taxpayers would require a constitutional provision. A compensation for prepayment would, no doubt, be required in the form of interest on the money. Also, the contingent and indeterminate nature of the liability may negate the early payment of taxes. Another difficulty is that government may find itself short of revenues when the future revenues are reduced by prepayment. Furthermore, the prepaid taxes are likely to be channelled into schools and county budgets and not towns and cities which need the revenues most sorely, because the taxable property is located outside of the city boundaries.

A factor not mentioned by Professor Minge is the issue of deductibility of prepaid taxes for federal income tax purposes. This aspect makes the practice unsatisfactory to a great number of firms since the Internal Revenue Service has ruled against deductions of prepaid taxes.

Professor Minge mentions a possible avenue which may avoid legal arguments. He states:

> "It deserves mention that it is possible to impose upon new construction a new form of tax or a permit fee. It could be used to provide funds instead of prepayment of property taxes. Such a tax or fee could be scaled to the impact of construction on a particular area. For example, it might be at a lower rate in areas of greater population density than in remote areas. Also the rate of the tax could be increased as the number of workers increased and could totally exempt projects with less than a certain number of workers. Such a tax could be made payable as constuction progresses or could be paid in the form of a fee for a permit in connection with plant siting. In either event, if carefully designed, it should be constitutional and it would avoid the problems in and shortcomings of prepayment."

COMMENTS

As has been stated, Wyoming has adopted various interesting and effective programs for impact alleviation. The optional one-cent sales tax, which may be levied for county and municipal purposes, has merit in that revenues are thereby channelled into cities and towns which have limited tax bases, since energy developments occur in the unincorporated areas of counties. This strategy, however, does not effectively tap the tax base of the mineral production or allied energy developments, which means that the tax burden falls almost entirely on newcomers as well as local residents themselves.

The coal impact tax is a useful instrument for aiding hard-pressed municipalities, as well as counties. The use of the funds, however, is constrained for streets and highways and sewer and water projects and, therefore, does not address other impact situations. In addition, the amounts of money derived from the tax are not adequate at the present time to service the growing number of requests for grants from local communities.

The Joint Powers Act has not resulted in the desired goal of a sharing of local tax bases. No case has been cited, as yet, where the county government has agreed to relinquish its tax base for municipal projects. The municipal projects, mainly for sewer and water, are usually revenue-generating projects and have not involved a risk to more than one governmental unit. Indeed, the question must be resolved as to whether general tax monies can be utilized to underwrite the loans from the Farm Loan Board under the Joint Powers Act. Unless general revenues can be used for backing the loans, the program will be largely restricted to revenue-generating ventures.

If the shared revenues, including the coal impact taxes, together with the projects' revenues are inadequate to amortize the debt incurred for community projects, a default would take place. A default would jeopardize the state permanent trust funds which had been loaned by the Farm Loan Board for those projects. These and other matters will be resolved by the current litigation under consideration by the Supreme Court of Wyoming.

The Industrial Siting Act has been effective in two cases, the Jim Bridger plant and the Laramie River Station Thermo-Generating Plant in Wheatland, Wyoming. At this time, it is difficult to evaluate the effectiveness of the Act until more experience is gained in other areas of the state.

The Community Development Authority, if it survives the constitutional litigation, could prove to be a useful instrument, particularly in the housing area. As a source of secondary mortgage money and a loan to lenders program, the communities in the state would receive an infusion of funds for housing loans. The Authority lacks flexibility in certain areas of public need, in that the general property tax cannot be used for backing of the loans, and the tendency would be to fund revenue-generating projects. Some revenues and fees, such as the local sales tax monies and grants, are stipulated as financial sources to repay the loans, but a question arises as to what extent general revenue funds, rather than special revenue funds, can be used to service the indebtedness. Furthermore, the question, which will no doubt be resolved by the Supreme Court decision, is whether the community indebtedness must not exceed debt limitations and to what extent a vote of the electorate is required before indebtedness can be incurred.

FEDERAL IMPACT LEGISLATION

There have been various proposals to alleviate community impacts through federal actions. There are, of course, various federal programs which assist communities, including those impacted by energy development. Very few federal programs are designed specifically to alleviate community impacts, however.

A recent helpful federal action has been the increase in mineral royalties, bonus payments, etc. which has increased the state's share to 50 percent of the total collected by the federal government. Prior to this recent legislation, S.391 (PL94-377), the federal government returned 37½ percent of the mineral royalty money to the states restricted for use for roads, highways, and schools, including higher education. Amendments (PL 94-579) to the Bureau of Land Management Organic Act authorizes the use of the 50 percent of the mineral royalty money being returned to the state to be used as directed by the legislature with priority being given to communities impacted by energy developments. In the case of Wyoming, the government will receive on the order of $50 million or $13 million more a year from this federal source.

The distribution of the state's share of mineral lease revenues were changed by Enrolled Act No. 120 signed March 4, 1977. None of previous distributions were disturbed by the change. Mineral lease royalties and bonus revenues will be distributed as follows:

(1) 2¼ percent for permanent county roads pro rated to origin of royalty receipts;
(2) 2¼ percent for state highway work in counties where mineral receipts are collected;
(3) 37½ percent to the public school foundation program;
(4) 26¼ percent to the highway fund;
(5) 6-3/4 percent for university and college construction and equipment when authorized by the legislature;
(6) 7½ percent to incorporated cities and towns for public facilities or services a pledge of 10 year future income for bonds. Each town receives $10,000 plus a pro rated amount of remainder based upon school membership;
(7) 7½ percent equally for impacted community grants by the Farm Loan Board and for a royalty impact assitance account to be appropriated by the legislature;
(8) 4 percent for school district capital construction;
(9) 6 percent for state highway purposes in impacted areas through June 30, 1963;
(10) 6 percent for a royalty assistance account to be appropriated by the legislature for impact alleviation beginning July 1, 1963.

Also authorized by the amendment to the BLM Organic Act is a loan program whereby the federal government will loan to states and/or local communities an amount equal to the projected collections of mineral royalties, bonus payments, etc. for the ensuing ten-year period. Such loans would be made at an interest charge not to exceed three percent with an amortization period to be established by rules and regulations. The loans could be used for planning, construction and maintenance of public facilities, and the provision of public services in communities impacted by development of federal minerals.

Theoretically, in the case of Wyoming, the state could borrow in excess of $400 million at up to three percent interest, with additional borrowings in future years constrained by the ten-year proviso. The initial indication is that the total national loan program will be only $40 million a year and therefore the program may be of limited use to Wyoming and other states.

COMMENTS

The 1977 legislation on mineral lease revenues has kept the basic distribution of revenues the same as in prior years. There is a distribution of the increased revenues (equal to 12½ of the total federal receipts) toward resolving the fiscal problems of impacted communities. The use of loan funds from federal advances of mineral receipts must await federal appropriations.

The details of the new federal loan program are not known at this writing. Among the questions which must be resolved are the extent of Congressional appropriations which will be available under the loan program. The State of Wyoming will not know the availability of funds until the amount of the federal appropriation is known. The state must also address the question as to whether loans by the state and local units of government will be limited by the state constitution. The state of Wyoming is authorized by the constitution to incur debt up to one percent of the assessed valuation of the state after the proposition has been approved by the electorate. This provision in effect could limit the amount that Wyoming State Government could borrow from the federal government to about $25 million.

Since may of the counties, schools, and cities are not at their bonded debt limits, there would be some flexibility to enlarge upon the amount of funds which could be borrowed. It seems extremely advisable that any of the loanable funds be channelled to the state or through a state agency to local governments, in order to coordinate the state programs of community impact alleviation with the new federal program.

The state programs, such as a Community Development Authority, and the Joint Powers Act should be coordinated with the new federal programs. The Community Development Authority has restrictions on its flexibility, since projects which derive income would perforce be favored, because property taxes cannot be used to amortize the debt. On the other hand, the federal loans are extremely flexible, in that they can be used for facilities as well as operating programs and would not require the complication of issuing debt instruments and amortizing the loan.

CHAPTER III

County Finance and Community Impact

REVENUE SOURCES

County finance is based on several different revenue sources. In Wyoming counties the most important source of tax revenue is the property tax. Additional sources of revenue in 1974-75 were state aid, $10.0 million; non-property taxes, $4.0 million; service charges and miscellaneous, $31.1 million; and federal aid, $5.6 million.

The property taxes levied for county purposes was $27.5 million in 1976. Levies by category were: general fund, $13.4 million; hospital, $3.7 million; library, $2.7 million; welfare and health, $2.4 million; fairs, $1.3 million; bond and interest, $2.9 million; and airport, fire museum, recreation, $1.3 million.

An overall levy limit of 12 mills is imposed which specifies maximums within the overall limit for purposes, such as libraries and recreation facilities.

Non-property tax sources will be identified for Campbell and Platte counties in the ensuing analysis. Federal legislation (PL 94-565) has been recently enacted to increase in lieu taxes on federal land with the revenues allocated to county government. The in lieu tax has been increased to 75 cents per acre with a maximum based upon a per capita amount varied by county size. Mineral royalties and grazing fees must be used as an offset to these payments. An option is provided with a minimum of at least 10 cents per acre and a per capita maximum but no mineral royalty or grazing fee deduction. Wyoming should receive an increase of about $6 million per year.

DEBT

Upon the majority vote of the Board of County Commissioners, the question of whether to create an indebtedness of the county can be submitted to the electors of that county. If approved by the majority of voters in a general or special election, the Board has the authority to authorize such indebtedness (including the existing amount of county indebtedness) not to exceed two percent of the assessed valuation of all taxable property in the county. Sewer projects which are undertaken by special districts are limited to six percent of assessed valuation.

A constitutional amendment was rejected by the electorate in November, 1976, which would have raised the indebtedness limit to four percent of taxable valuations. Water and sewer projects are not under the debt limitation.

FINANCES OF TWO IMPACTED COUNTIES

The following sections present a review of the finances, including projected expenditure patterns, of two Wyoming counties, Campbell and Platte. These scenarios are based on analyses by a consultant in the case of Campbell County and by the University of Wyoming in the case of Platte County. The examples help place the problems of county government relative to impacted communities in better perspective.

Campbell County

A study by Resource Management Systems stated:[1]

"The implications of coal development on Campbell County's operational budget are shown in Appendix Table A-6. The first line of the table shows that operating expenditures would increase from a current level of approximately $2.5 million to $3.8 million by 1985. In addition, approximately $8.8 million of capital facilities expenditures would be required by 1985, excluding construction of new roads and highways. (Projections of the cost of constructing new roads and highways for the county were omitted from this analysis because of the extreme complexity of the problem. Availability of state and federal funds and uncertainty concerning the level of construction necessary to support energy development are only two of the unknowns.) Assuming that 90 percent of all capital facilities costs are financed through ten-year bonds, and the remaining 10 percent out of current revenues, total expenditures in the county would rise to $5.8 million annually by 1985.

Assuming current tax rates in the county remain constant during the next ten years, the county's revenues would exceed expenditures by approximately $5 million during the period 1980 through 1985. If property tax rates were raised to the maximum allowable under Wyoming law, without direct voter approval, revenues would exceed expenditures by approximately $6 million during the period 1980 through 1985. However, since capital costs associated with new road construction are not included in the budget, it cannot be automatically assumed that the county will face no financial problems. What can be stated is that under current tax rates, Campbell County could supply adequate services to meet the increased population due to coal development and still have several million dollars annually to spend on new road construction. Whether these sums would be adequate to provide necessary levels of road construction is a subject of conjecture.

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[1] Resource Management Systems, Laramie, Wyoming, *A Description of Potential Socioeconomic Impacts from Energy-Related Developments on Campbell County,* September, 1975.

"Detailed breakdowns of expenditures and revenues for Campbell County over the next ten years are given in Appendix Tables A-7 and A-8. Tables A-7 shows projected expenditures by type for county government functions. Where applicable, expenditures are broken down into both operating expenditures and capital facilities costs for each category. Expenditures under the road and airports category are for maintenance of existing facilities in the county and do not include construction of new facilities in the county.

" Projected revenues by source for the county are given in Table A-8. As can be seen from that table, the largest revenue increases will come from property tax due to increased assessed valuation in the county. The dip in sales tax revenues in 1981 is attributable to the projected reapportionment of these revenues between the county and the town of Gillette."

Platte County

The University of Wyoming case study for Platte County states: [1]

" Revenue and expenditure projects for Platte County for the period FY 1977-86 are given in Appendix Tables A-9 through A-12. Table A-9 shows projected revenues for Platte County during this period, assuming that construction of the Laramie River Station begins in 1976. The first line of the table shows that assessed valuation in the county would increase from approximately $29.5 million in FY 1976, to a long-term level of $166.5 million in FY 1986. Property tax revenues to the county (excluding special district levies, and the 1.64 mill general school levy) would increase from slightly over $300,000 in FY 1977 to approximately $1.7 million by 1986. These projections are based upon the assumption that the county would continue to levy a full 12 mills on assessed valuation and return 1.64 mills of this revenue to the school districts.

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[1] University of Wyoming, Department of Sociology, *Social Impact Assessment of the Proposed Laramie River Station,* December, 1975.

"In summary, the table shows that revenues to the county under current tax rates would rise from approximately $780,000 in FY 1977, to a long-term level of slightly over $2 million by 1984. The table also shows that imposition of an optional one percent county-wide sales tax (which has now been passed) would increase county revenues by approximately $200,000 during the peak construction period (FY 1980) and would then decrease gradually to a long-term revenue base of approximately $70,000. The last row of the table projects the revenue stream to the county under the assumption that both an optional one percent sales tax is enacted, and that two additional mills are levied on property in the form of special districts to support a county health program and a county recreation program. These tax increases would result in revenue increases of approximately $400,000 by FY 1985.

"Expenditures - Appendix Table A-10 shows operating expenditure projections for Platte County for the same ten-year planning horizon used for revenue projections.

"The table shows projected operating expenditures for functions which the county is not obligated to provide, but which the authors of this report feel the county might support in the best interests of its residents. The first of these items is a projected operating expenditure for a county parks and recreation department. The second category involves projected operating expenditures for a day care center and the third category is projected support for the Department of Social Services' office beyond the time when the county is required to do so by law. Line 80 shows that total operating expenditures for so-called "obligated functions" would rise from approximately $700,000 in FY 1977 to a peak of approximately $1.1 million in 1979, $1 million during the early 1980's. Operating expenditures for so-called non-obligated functions would peak at approximately $250,000 in FY 1980, and then decline to a long-term level of approximately $210,000 by FY 1986.

"Capital Facilities. Capital facilities expenditures that would be required at the county level to handle population increases during and after the construction period are projected in Appendix Table A-11. Of the so-called obligated functions, the largest item is approximately $800,000 for remodeling the courthouse and constructing a new building to house law enforcement and prisoner facilities.

"Expenditures for non-obligated county functions include approximately $700,000 for the construction of a recreation center and additional expenditures for recreational equipment from FY 1978 through FY 1983; approximately $100,000 for a building to house a day care center; and approximately $400,000 for a new road from the edge of Wheatland to the proposed plant site.

"In translating these capital facilities requirements into current expenditures for the county, it was assumed that capital requirements of $100,000 or more would be financed through some type of debt, while expenditures for facilities of less than $100,000 would be financed with current revenues. It is assumed that debt would be incurred on the basis of ten-year bonds paying 7 percent interest annually over that period.

"Based upon these assumptions, Line 136 of Table A-11 shows that annual expenditures for obligated capital facilities (including debt service costs) would grow to approximately $240,000 in FY 1979, and then decline to a relatively stable level of $180,000 per year thereafter. Assuming that the county would be financially responsible for non-obligated capital facilities, annual capital facilities costs would rise to almost $400,000 in FY 1979, and would then decline slowly to a relatively stable level of approximately $300,000 annually thereafter.

"Summary. Appendix Table A-12 summarizes revenues and expenditures for the county and shows annual surpluses and deficits based upon these projections. Line 221 in Table A-12 shows that under current tax rates, assuming that the county finances only obligated functions, a budget deficit of approximately $65,000 would occur in FY 1977. The county would almost break even in FY 1978, and should show a budget surplus thereafter.

"The next line shows that if the county also assumed financial reponsibilities for so-called non-obligated functions, budget deficits would occur in both FY 1977 and FY 1978, but thereafter sufficient revenues would be available to finance all functions. The next line shows that if the county were to vote for an optional one percent sales tax (which it has), revenues would be sufficient to finance all functions during all 10 years of the planning horizon.

"In summary, the county appears to be in reasonably good financial shape to meet the pressures of an expanding population due to the construction of the plant. Although operating budgets would increase substantially and new capital facilities would be required, county revenues would also increase in the short run due to increased sales and use-tax revenues. In the long run, tax revenues would also increase due to a greatly increased assessed evaluation within the county. The major financial problem of the county appears to be the development of mechanisms for borrowing money to finance capital facilities, since the current debt limitation of the county is approximately $560,000 or 2 percent of current assessed valuation. This amount is insufficient to incur indebtedness for all of the capital facilities needs described above."

COMMENTS

The projected revenue and expenditure patterns of Campbell and Platte counties indicate that the additional public needs resulting from energy development population increases will be accommodated. Counties benefit from the growth in taxable valuations and consequently are in a better financial position than other units of local government.

In Platte county the shortfall in revenue for capital facilities would have been remedied in large part if the proposed constitutional amendment to increase the legal indebtedness of counties to four percent of taxable valuation from the present two percent of valuation had passed.

The amount of loans available from the Farm Loan Board may be increased in two manners: If the courts sustain the Community Development Authority Act, there may be a substitution of loans from the Joint Power Act for CDA loans according to the State Treasurer. This will free up a considerable amount of loanable funds. In addition, the CDA will be able to finance projects for which funds are not now available.

A problem which has no easy solution is created by the demands of residents who reside outside of the county of development. This is not a severe problem in Wyoming, because the counties are large in area. A means of resolving this problem would be the distribution of state-collected energy taxes, in part, on the basis of residence of the workers.

This latter suggestion has been advanced for city, town, and school impact problems. In this report, a recurrent theme as a remedy for local government fiscal pressures is the channelling of taxes from the energy developments into a tax fund to be shared by the local units of government in which workers establish a residence.

The new amendments to the BLM Organic Act referred to in Chapter II may furnish adequate funds to alleviate the front-end financing problems of schools and counties. Whether the total appropriated by Congress or accepted by the state legislature will be a sizeable enough amount to extend adequate aid to the municipalities as well is still unanswered.

CHAPTER IV

City and Town Finances

Revenues for municipal purposes are derived from a variety of sources. Major sources include property taxes, sharing of sales, gasoline and cigarette taxes, license fees, service charges, federal aids, state aids, and sales of utility services. The importance of revenue sources is identified in the revenue patterns shown below in Table 2.

Town and city property tax levies are limited to eight mills by the state constitution. This limit applies to levies other than debt service. The limit on indebtedness is four percent of assessed valuations with an additional four percent of valuation for sewers and no limit on water projects. A constitutional proposal which did not pass in November, 1976, would have increased the limit to 8 percent of assessed valuation.

Table 2

MUNICIPAL REVENUES AND EXPENDITURES IN WYOMING, 1974-75

General Revenue in Millions

Source	Amount
Federal Aid	$ 8.0
State Aid	14.3
Property Tax	3.7
Other Taxes	2.3
Charges and Misc.	15.0
	$43.3

Note: Minor local intergovernment aid excluded

Direct General Expenditure in Millions

Source	Amount
Highway	$ 6.4
Police & Fire	8.7
Health & Hospitals	.3
Interest on Debt	2.3
All Other	24.6
	$42.4

Note: Excludes utility system operations.
Source: U. S. Bureau of the Census

Municipal property tax levies for 1976 were: general fund, $3.2 million; police pension, $142,000; bond, $38,000; and bond and interest, $841,000.

A major problem in alleviating local community impacts is city and town financing. Mines and power plants are located outside of city and town boundaries. In fact, there are no reported mineral valuations within the municipal taxing jurisdictions.

While cities and towns do not have access to the taxation of energy development properties, the workers in such developments customarily reside in nearby cities or towns. The absence of taxing jurisdiction results in both a short-run and a long-run revenue problem. Counties and school districts will experience a growth in valuations as energy projects are completed. Municipalities will not benefit from the rising assessed valuations aside from secondary business activity.

Consequently, the issue can be resolved only by increased revenues for cities and towns. Additional sources of loanable funds will not, in themselves, provide an answer. Loans must be repaid; the issue is whether or not revenues from taxes, fees, grants, or revenue-sharing will be forthcoming to liquidate the debts incurred.

FINANCES OF TWO IMPACTED CITIES

The following sections are based upon in-depth analyses of two cities located in counties in which substantial energy developments are taking place. The Gillette and Wheatland examples serve to give the reader a more detailed review of the municipal problem.

Gillette

A case study by Resource Management Systems is quoted:[1]

"The summary of revenue and expenditures projections for the town of Gillette is given in Appendix Table A-13. The first planning item of that table shows that operating expenditures for the town will increase from the current level of approximately $3 million to $5 million in 1985. In addition, over $21 million of capital expenditures (excluding construction of new streets and roads) would be required to service expected population increases. Assuming that 90 percent of these capital expenditures are financed with ten-year bonds, and the remainder out of current revenues, the town would incur an annual debt service cost of approximately $2.7 million by 1985. Total budget expenditures, including debt service cost, would rise to almost $10 million annually by 1985.

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[1] Resource Management Systems, Laramie, Wyoming, *A Description of Potential Socio-Economic Impacts from Energy-Related Developments in Campbell County,* September, 1975.

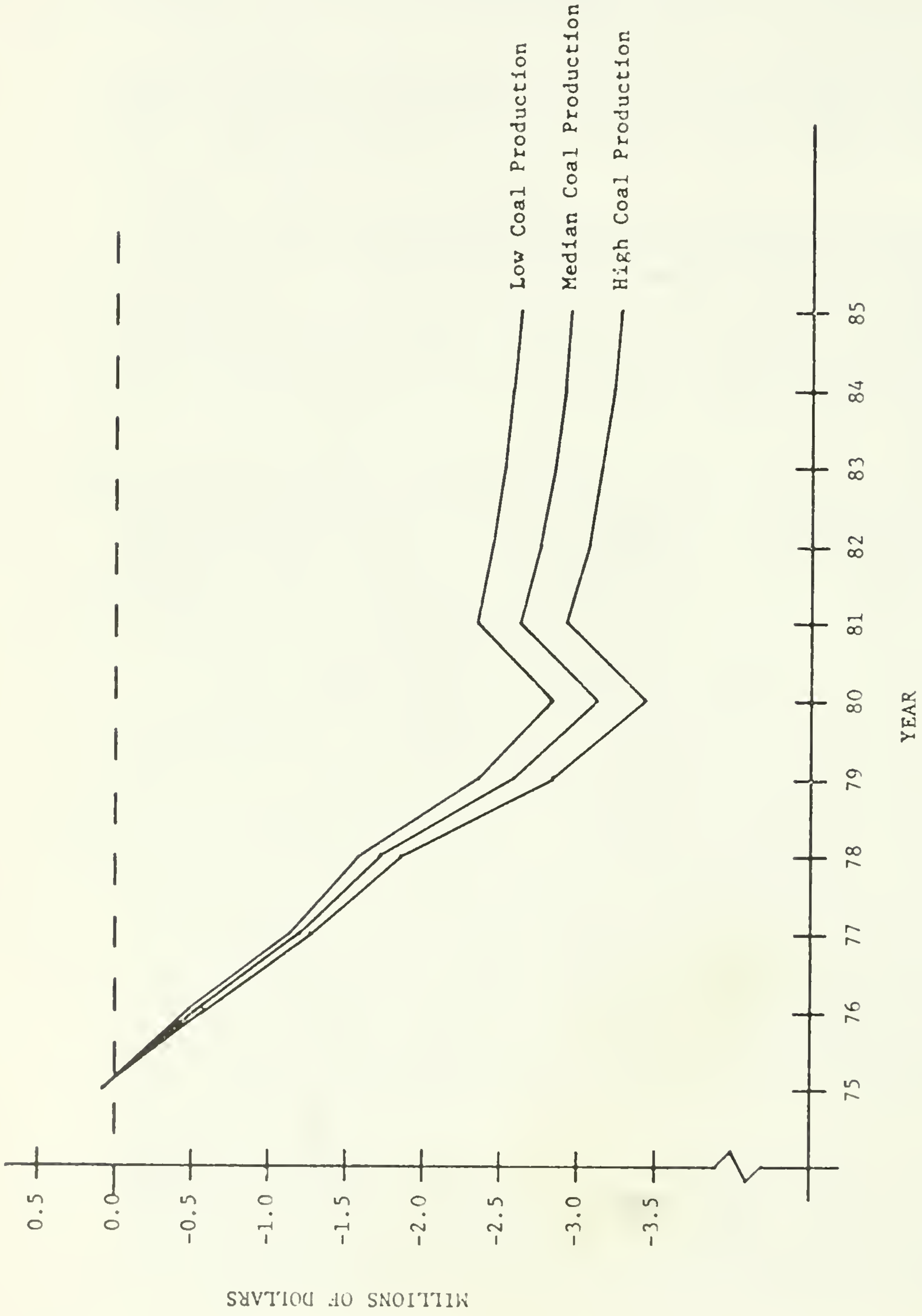
"On the other hand, revenues for the town are projected to lag behind expenditure requirements. The last line in the table shows that projected expenditures would exceed revenues by over $3 million in 1980, and remain relatively constant through 1985. As shown in Appendix Table A-14, the largest expenditure increases for the town would involve the expansion of existing water, sewer and electrical distribution systems. The expansion of these capital facilities would require large debt service costs in the absence of grants from state of federal agencies. Appendix Table A-15 shows that the town of Gillette would not share in the benefits of increased property valuation in the county due to coal development. Property tax revenues are expected to increase from the current level of approximately $73,000 annually to only $220,000 annually by 1985. Other revenue sources for the town are projected to increase more or less proportionally to population growth during the period. Thus, in summary, the town of Gillette would be faced with significant capital facilities costs in addition to increased operating costs over the ten-year period from 1975 through 1985.

"However, revenue sources available to the town would be only great enough to offset increases in the operating budget, leaving a resource gap roughly comparable to the amount required to pay debt service costs on capital facilities expenditures. This situation can be seen more clearly by a comparison of the third line, new facilities debt service costs, with the sixth line, Gillette's projected revenue gap, in Table A-13. The financial predicament of the town would be even worse than portrayed by that table, however, as the cost of construction of new roads and streets within the town limits are not included in the expenditure side of the budget.

"Finally, Figure 3 shows the implications of all three coal development alternatives on Gillette's operating budget. In each case, a serious negative revenue gap results and is ameliorated only slightly by the anticipated redistribution of sales tax revenues in 1980. Projected budget deficits range from approximately $3.2 million in 1985 under the high coal production

Figure 3

GILLETTE REVENUE GAP *



*Note: A negative gap indicates greater expenditures than revenues.

Source: Resource Management Systems, Laramie, Wyoming, September, 1975.

alternative, and approximately $2.6 million at the same time under the low coal production alternative. These results underline the serious need for new revenue sources and/or sources of capital facilities funds for the town of Gillette above and beyond those available under existing Wyoming law."

Wheatland

A case study by the University of Wyoming states:[1]

"Appendix Table A-16 shows projected revenues for the town of Wheatland from FY 1977 through FY 1986. The first line of the table shows that assessed valuation in the town would rise from a current level of approximately $3.6 million to a peak of $10.3 million in FY 1980, and then decline to a long-term level of approximately $8 million by FY 1986. Property tax revenues from this assessed valuation would peak at approximately $8000 annually, assuming that the current one mill town levy is not changed.

"A major source of new revenues would stem from the utility hook-up charges recently instituted by the town. Based upon anticipated levels of construction of new housing and trailer court facilities within the town limits, these hook-up charges would generate over $900,000 of revenue in the period FY 1977-FY 1980. Furthermore, use-tax revenues to the town from materials used in the construction of the plant, dam, and reservoir facilities would average over $100,000 annually from FY 1977 through FY 1982.

"Revenues from the sales tax, gasoline tax, cigarette tax, and licenses, fines and fees were projected to remain at current per capital levels through the 10 year planning horizon, based upon the same assumptions used to project similar county revenues. Projections of revenues to the town from municipal electrical services were based upon power consumption projections developed by Mr. Russell Bovard, formerly of the Wheatland REA. Revenues from charges for water, sewer, and garbage services were projected to remain at current per capita levels through the 10 year planning horizon, as were revenues from miscellaneous sources.

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[1] University of Wyoming, Department of Sociology, *Social Impact Assessment of the Proposed Laramie River Station,* December, 1975.

"In summary, revenues for the town of Wheatland are projected to rise from approximately $1.5 million in FY 1977 to a peak of $2.3 million in FY 1980, and thereafter decline gradually to a long-term level of approximately $1.5 million. The decline in revenue for the town from FY 1980 through FY 1986 can be attributed to a decrease in the number of utility hook-up charges, use-tax revenues, and a decline in other revenue sources based upon population, such as sales and gasoline taxes.

"Line 205 of Table A-16 shows that the imposition of an optional county-wide one percent sales tax (which has now been enacted) would generate between $125,000 and $270,000 in additional revenues annually.

"Operating Expenditures. Appendix Table A-17 shows projected operating expenditures for the town of Wheatland from FY 1977 through FY 1986. In developing these projections, it was assumed that expenditures for general administrative functions, currently at very low levels, would average slightly over $40 per capita for the next 10 years. This figure is approximately the same as comparable expenditures for Gillette in FY 1975, and considerably higher than those for Rock Springs. Also, it was assumed that per capita costs for law enforcement, currently at less than $30 per capita, would rise to $35 per capita for the next 10 years. Per capita operating costs for fire protection were assumed to remain constant at $3.55, while the budget for the street department was assumed to rise from a current level of slightly less than $50,000 to $100,000 annually (based upon conversations with Jim Dunham, the town clerk-treasurer).

"The cost of operating and maintaining the city's electrical system was projected to double in the five-year period from FY 1976 through FY 1981, and to remain constant at approximately $130,000 annually thereafter.

"Costs associated with maintaining the city's water and sewer system were projected to double during the five-year period from FY 1976 through FY 1981, and to remain constant at approximately $245,000 annually thereafter. The budget for parks and recreation activities and other miscellaneous functions was projected to increase from current per capita levels of slightly over $10, to $15 over the next ten years.

"In summary, operating expenditures for the town of Wheatland are projected to rise from $780,000 in 1977 to a peak of over $1.7 million in FY 1980, thereafter declining to a long-term level of approximately $1.3 million.

"Capital Facilities. Appendix Table A-18 summarizes anticipated capital facilities expenditures for the town of Wheatland from FY 1977 through FY 1978.

"In translating these capital facilities needs into current expenditures, it was assumed that 10 year revenue bonds at 7 percent interest would be issued to finance improvements to the water, sewer, and electrical systems. All other capital facilities expenditures were assumed to be paid out of current revenues. Based upon these assumptions, line 123 of the table shows that capital facilities expenditures would rise to approximately $480,000 annually in FY 1978, and then decline to a long-term level of approximately $410,000 annually thereafter.

"Summary. Appendix Table A-19 shows a comparison of revenues and expenditures for the town of Wheatland. Line 241 compares revenues and projected operating and capital facilities expenditures over the next 10 years. Somewhat surprisingly, the results show that Wheatland would be in relatively good financial shape through FY 1981, and in relatively poor shape thereafter. This phenomenon is due to the fact that utility hook-up charges and use-tax revenues would drop off dramatically after five years, but debt service costs on capital expenditures facilities would continue through FY 1986. Line 245 shows that over the next 10 years, the town's projected total expenditures would exceed revenues by $143,000. Line 247 shows that if an optional one percent sales tax were instituted at the county level, the town of Wheatland would experience revenues in excess of expenditures in each year except FY 1985 and FY 1986, when revenues and expenditures would be approximately equal. If, in addition, the town were to increase its mill levy on property within the city to eight mills, revenues would be in excess of expenditures in each of the 10 years for which forecasts were prepared.

"In summary, the town of Wheatland would appear to be in reasonably good financial shape to cope with anticipated population increases. Since this conclusion is contrary to the experience of other towns in Wyoming which have experienced rapid population growth, a few comments are in order.

"First, few other towns have instituted significant utility hook-up charges in time to capture revenue from new housing construction during the early stages of growth. This source of revenue for the town of Wheatland will amount to approximately 25 percent of its current annual revenues over each of the first four years of the construction period. Furthermore, use-tax revenues from the materials used to construct the plant would provide another significant source of revenue for the town, averaging over $100,000 annually during the construction period. Finally, even without raising rates for municipal services, it is anticipated that revenues from electrical, water, and sewer services would be sufficient to cover all operating expenditures and leave substantial amounts left over for the repayment of debt incurred in expanding these facilities. If the town does experience significant financial problems, they would probably occur after the peak construction period."

COMMENTS

A significant feature of municipal finance in Wyoming cities is the subordinate role of the property tax which was eight percent of total general revenues in 1974-75 according to the U.S. Census Bureau. In both Gillette and Wheatland, the property tax revenues are less than five percent of total revenues. The major general and other revenue sources are sales and use taxes and utility receipts, including hook-up charges.

Revenues from sales taxes will be increased markedly in Platte County in the near future, since the optional one percent sales tax to be shared by the county, and municipalities was voted on favorably in November, 1976. Campbell County also imposed an optional sales tax at a one percent rate.

Property taxes are not a major source for three reasons: (1) the valuation of energy developments, as a rule, are not included within municipal boundaries and (2) the operating millage levy is limited to eight mills and (3) bonded debt is limited to four percent of assessed valuation, except for sewer and water projects.

The disparity in valuations between cities and schools and counties is striking. In 1976, the city of Gillette had an assessed valuation of $13.5 million, compared with a school and county valuation of $304.7 million. Wheatland has a valuation projected to increase to about $10 million, compared to a Wheatland school valuation projected at $150 million in the early 1980's.

Cities and towns will be forced to finance their needs largely by means of internal,self taxation, and utility charges, unless *an avenue is found to expand the tax base to include energy developments.* A possible means would be the channelling back to cities and towns the state tax revenues from energy developments. Various strategies will be considered in the recommendations section of the report. Lastly, the BLM Organic Act amendments referred to in Chapter II may make available substantial federal loan funds which will be financed by mineral lease revenues. In effect, these revenues may be "loans" which are automatically repaid from the federal lease revenues. To the community, the loans will appear as if they are grants for capital and operating programs if the repayment is annually deducted in Washington D.C. This program has considerable merit for towns and cities since these units of government do not acquire the growing taxable base over future years as do schools and counties.

CHAPTER V

SCHOOL DISTRICT FINANCES

The State of Wyoming has fifty operating school districts. A typical unified district is large in area with both elementary and high school programs. It is fortunate that the districts encompass large areas. For this reason, taxable valuations which mushroom from energy developments are shared by city and town schools, as well as by unincorporated areas. This is not to say that all children of energy workers are attending schools in districts which share in the newly created valuations. Nevertheless, the problems which stem from tax colonies (areas of extremely high valuation) in states which do not have large districts are mitigated in Wyoming.

Mineral property and production valuations comprise about 48.2 percent of the local property taxable valuation. These valuations and related energy developments are growing rapidly and will be an even larger proportion of taxable valuations in the future. The mineral valuations or the percentage of total school valuations are shown in Appendix Table A-20. The question arises concerning the shares each district should have of these taxable valuations. Traditional property tax distribution, that is, according to property sites may no longer be defensible because of the disparity in taxables among districts.

REVENUES

Local school revenues, on the average, are derived from four levels of government in Wyoming. Local district revenues provide $45.6 million. These are derived from real property taxes, $39.5 million, and motor vehicle special tax, $3.0 million, with miscellaneous taxes and fees providing the remainder.

School revenues from county sources provide $25.6 million. A twelve mill county tax is the largest source, $20.5 million. Each county is required to levy a tax of twelve mills, or $12 per $1,000 of assessed valuation for public school purposes. The revenues are distributed to schools on the basis of class-room units. An additional county levy of up to $3 per $1,000 of valuation, which currently yields $2 million, is imposed for aid per teacher and per bus driver.

State revenues for local schools are $38.6 million. The two principal sources of revenue are the foundation program, $29.9 million, and the state land income fund, $8.4 million. The foundation fund revenues are derived principally from mineral royalties, $16.7 million; a state property levy, and surplus $10.5 million, and state appropriations, $2.2 million. The state land income revenues are derived from the interest income from investments of the proceeds of school land sales and mineral royalties. This permanent fund was $114 million in 1975.

Federal funds for local schools are $3.5 million. A total of $3 million was derived from Public Law 874, which is for Federal impact assistance for local government impacted by national defense.

FINANCIAL INEQUALITIES AMONG SCHOOL DISTRICTS

Local financial support for schools is based upon the assessed valuation of taxable property. There is a wide variation in taxable valuations. Variations in valuations per average daily membership in 1974-75 among unified school districts is evidenced by the fact that the top eight districts had in excess of $40,000 assessed valuation per pupil, as compared with the lowest 13 school districts which had less than $15,000 valuation per pupil. As shown in Appendix Table A-20, mineral valuations exceeded 50% of the total value in 26 school districts.

The school districts which have substantial mineral taxable valuations are twice-blessed. In general, these districts have above average valuations per average daily membership, even when mineral valuations are excluded from the total.

EQUALIZATION

The state foundation program has effectively narrowed the inequalities in expenditures per pupil. An illustration of the operation of the state school aid program is reflected in Tables 3 and 4. The state program establishes a basic or foundation expenditure per classroom unit. A local school district must have an aggregate tax levy of twenty-five mills, including a thirteen mill county-wide levy to qualify for state aid. The local resources from the property tax and miscellaneous receipts are deducted from the foundation program, expressed in an amount per classroom unit, in order to determine the state aid for the district.

Table 3

Entitlements for Two Hypothetical Unified Districts

School Year 1974-75

Werner County, District #1

Classroom units		
Elementary	24.400	
Junior high	10.000	
Secondary	18.000	
Vocational	5.000	
Kindergarten	1.800	
Total	59.200 x $18,700 =	$1,107,040.00
Additional costs		
Special education		11,000.00
Total Foundation Program cost		$1,118,040.00
Local resources		
12-mill county tax	$288,450	
Valuation ($10 million) x 10 mills	100,000	
General county school tax	18,000	
Land Income Fund receipts	102,000	
Fines and forfeitures	2,000	
Motor vehicle fees	25,000	
Total local resources		535,450.00
Foundation Program entitlement		582,590.00
Supplemental aid		
State average valuation/CRU	$391,205	
District #1 Val/CRU	168,919	
	222,286 x .013 x 59,200 =	171,071.00
	Total state aid	$753,661.00

Werner County District #2

Classroom units		
Elementary	27.440	
Junior high	11.000	
Secondary	17.000	
Vocational	5.000	
One-teacher school	1.000	
Kindergarten	1.600	
Special classes	.900	
Total	63.940 x $18,700 = $1,195,678.00	
Additional costs		
Operation and maintenance of buses (¾)	$ 30,000	
Capital outlay for bus purchase	2,000	
		32,000.00
Total Foundation Program cost		1,227,678.00
Local resources		
12-mill county tax	$311,550	
Valuation ($40 million) x 10 mills	400,000	
General county school tax	22,800	
Land Income Fund receipts	102,000	
Fines and forfeitures	2,000	
Motor vehicle fees	25,000	
Total local resources		863,350.00
Foundation Program entitlement		364,328.00
	Total state aid	$364,328.00

The tables above show Foundation Program calculations for two hypothetical unified school districts in a two-district county. Each district has 1400 students in average daily membership. Each operates one high school, one junior high and several elementary schools. Each district has five full-time vocational education teachers. Each offers kindergarten in its tnwo schools.

District #1 operates three elementary schools all within the boundaries of a town; all its five schools are within walking distance of the students. It sends two children out of the state to residential special education schools. The district employs 60 teachers.

District #2 covers the rest of the county, a wide geographic area. It operates three elementary schools within the town limits, and four rural elementary schools, one a one-teacher school with six students and three with enrollments ranging from 20 to 54 pupils each. About one-fourth of the secondary students are bussed into town from the rural areas. The district has one special education class with nine students enrolled.

The assessed valuation of District #1 is $10 million, and the district is levying the full amount of allowable district tax without a vote—25 mills. District #2 has some oil activity, and its assessed valuation is $40 million. It is levying 16 mills for school purposes. The district employs 67 teachers and six bus drivers.

Source: Wyoming Department of Education.

Table 4

Foundation Program Report for School Year 1974-75

Foundation Fund balance July 1, 1974	$ 30,000
Receipts from:	
Oil royalties	16,696,098
6 Mill Levy	10,484,604
Motor vehicle	507,400
Car company tax	16,416
Interest	130,679
State appropriation	2,179,896
	30,045,093
Foundation Program entitlements	29,924,275
Balance June 30, 1975	120,818

	Classroom units	DOLLAR AMOUNTS All districts	 Qualifying districts
ADM	3409.577		
Vocational	592.216		
Special Classes	194.987		
Kindergarten	116.637		
One teacher	55.000		
Total	4368.417		
Foundation cost (4368.417 x $15,800)		$69,020,989	
75% Motor vehicle maintenance		3,018,212	
1/6th Motor vehicle capital outlay		549,913	
75% Isolation		325,358	
75% Homebound		32,339	
Tuition		546,706	
Special education costs		2,046,129	
Special education adjustments		(78,884)	
Total Foundation cost (before levy reduction)		$75,460,762	$68,728,174
LOCAL RESOURCES			
12 Mill county tax		$20,434,032	
Special district tax		17,091,798	
General county school tax		2,003,089	
Fines and forfeitures		575,498	
Motor vehicle fees		4,459,106	
Forest reserve		96,931	
Taylor grazing		164,546	
Land income fund		7,757,104	
Tuition receipts (¾)		270,244	
Total local resources		$52,852,348	$42,536,979
Total Foundation Program entitlement			$26,191,195
Supplemental Aid			3,715,080
			$29,906,275

(Amounts are rounded to nearest dollar.)

Source: Wyoming Department of Education

In the manner described, the state foundation program and supplemental aides have sharply reduced the fiscal disparity among school districts. State aid per pupil in the Gillette school district (#03-01) was $96.63 in 1974-75. In contrast, the state aid was over $800 per pupil in five districts and averaged $444.35 for all unified school districts.

Equalization program does not remove the inequality completely. A wealthy district is still able to conduct a more expensive school program, with a modest school mill levy, because of the high valuations per pupil. Gillette school district, for example, had total revenues (state, local, and federal) of $2,283 per pupil in 1974-75, while the state average for unified districts was $1,306 per pupil. Total expenditures varied in proportion.

The Gillette school district was able to conduct an enriched school program with an operating levy of 16.681 mills in 1974-75 and a bond levy of 3.694 mills. The tax levies were decidedly less than for the typical school operating millage rate of 25 mills and a bonded debt levy of 4 to 10 mills. Mineral property taxes financed 85 percent of the Gillette school district property taxes.

THE GILLETTE SITUATION

The following quotation, taken from the study for U.S. Interior Department by Resource Management Systems,Inc. examines the socioeconomic implications of the median level of coal development activity.

"The implications of this level of development on employment and population in Campbell County and Gillette is given by Appendix Table A-21. The first two line items of that table show Campbell County and Gillette's current populations projected in the future under the assumption of a zero growth rate. To these base populations, employment and population increases due to coal mining activity and associated indirect employment are added. As the third line item of the table indicates, direct employment in coal activity is expected to rise rapidly to over 2,700 by 1979 and thereafter remain relatively stable through 1985. Population increases associated directly with this employment are expected to reach the level of over 7,500 people. Indirect, or service employment, associated with this basic employment increase will exceed 2,000 jobs by 1985, and associated population increases will exceed 5,000. As a result, Campbell County's population would rise to approximately 27,000 by 1985, and Gillette's population would more than double to a figure of 20,275.

"Appendix Table A-22 shows the implications of this population growth on school enrollments in Campbell County. The first column shows that total school population is currently 3,157 in the county. This figure is expected to rise to over 7,000 students by 1985. Enrollments in elementary schools, jnior high schools, and high schools in the county would more than double over the next ten years due to the impact of coal development.

"The implications of these enrollment increases on Campbell County's educational budget are displayed in Appendix Table A-23. The first planning item of the table shows that operating expenditures for the school district would more than double from the current level of slightly over $6 million to over $14 million in 1985. In addition, almost $12 million worth of capital facilities (in 1975 dollars) would be required to handle enrollment increases. The third line of the table shows that service costs in existing bonds for the school district total approximately $835,000 annually. Assuming that new capital facilities expenditures are financed with ten year bonds, total educational expenditures for the school district would increase to $16.8 million by 1985.

"However, due to projected increases in assessed valuation of Campbell County, these levels of expenditures should pose no financial problems to the school district. If mill levies were kept at current levels over the next ten years, the school district would experience a budget surplus each year, with revenues in excess of expenditures of approximately $9 million for the period 1983 and 1985. These projections imply, that the property tax levies for schools in Campbell County will actually decline over the next ten years due to the impact of coal development on assessed valuation in the county."

COMMENTS

The Gillette financial scenarios indicate that the school district and county government would be able to avoid a crisis of revenue shortfalls. Indeed, the subject study raises the question that perhaps the tax base in some areas of energy development is creating communities which are overly rich in taxable valuations, compared to other regions in the state. In such cases, the problem is one of a widening of the differences in the financial ability of school districts in Wyoming.

The school districts derive no direct support from severance taxes. As indicated in the opening section, the coal impact fund is dedicated to roads and sewer and water projects. The Gillette school district #1 received 4.2 percent of its operating revenues from state sources and one tenth of one percent from federal sources.

It would be unwise to conclude that areas of rapid development are in as sound a financial position as is Gillette, insofar as school requirements are concerned. Indeed, imbalances in fiscal capacity have resulted in proposals to mitigate the situation. A press report quotes Representative Nels J. Smith of Wyoming as follows in regard to his proposal to share the taxable valuations from minerals and mineral productions among all units of local government: "The money would help cities, school districts, and counties affected by mineral development in a neighboring county, but which don't receive royalties from the mineral production responsible for the impact." He cited Lyman in Unita County and Moorcroft in Campbell County as examples. Persons employed at booming trona companies in neighboring Sweetwater County have more than doubled the population of Lyman since 1970. Lyman officials have made several requests to the State Farm Loan Board for loans and grants to finance school improvements and plans to upgrade the town's water and sewer system. Moorcroft, 21 miles east of Gillette, is experiencing the same problems, said Smith. He said many persons employed at coal mines and oil fields near Gillette and at the Wyodak power plant construction site east of Gillette have moved to Moorcroft. He said the town lacks the tax base to cope with the spillover from Gillette's coal and oil boom. Smith said the proposed bill would more fairly distribute money collected from the ad valorem tax, while recognizing the rights of heavily impacted counties such as Campbell to the lion's share of the tax money generated there.

WHEATLAND AREA SCHOOL DISTRICT

The scenario of revenues and expenditures for the Laramie Station plant near Wheatland, Wyoming, being constructed by the Missouri Basin Power Project is a different picture from the Gillette fiscal situation. Platte County school district #1, which includes Wheatland, has a mineral valuation equal to only one percent of total taxable values. Therefore, the construction of the new power plant at an estimated cost of $1-1/3 billion will increase the community's assessed valuation to a very high level but in annual stages over a several year period. Gillette, on the other hand, is continuing its growth from a substantial taxable base of mineral resources.

An excerpt from the University of Wyoming social impact assessment report, which was used as a basic planning document, indicates the nature of the problem:

"Revenue and expenditure projections for School District One from FY 1977 through FY 1986 are given in Appendix Table A-24. The first line in the table shows projected school population over the 10 year period, and the second line shows anticipated operating expenditures that would be required by the school system to meet these enrollment increases. The operating expenditures projections are based upon the assumption that per pupil costs would rise from current levels of approximately $1300 (in FY 1975) to a level of approximately $1550 over the next 10 years. In addition to operating expenditures, the school district is obligated for approximately $145,000 per year in payments on bonds issued for the construction of a new high school. Combined operating and debt service expenditures by the school district (excluding new capital facilities expenditures) are expected to rise to approximately $5 million annually until FY 1980, and then to decline slowly to a level of slightly under $4 million annually by FY 1986.

"In addition to these expenditures, it is anticipated that approximately $3.5 million worth of capital construction would be required to expand current physical facilities in the school district to meet enrollment increases. For the purposes of financial projections, it was assumed that permanent classroom facilities would be built to handle all enrollment increases (i.e., temporary classroom facilities would not be used). However, it is interesting to note that the use of temporary classrooms during peak enrollment periods would not have much impact upon the financial position of the school district. Specifically, it is estimated that total costs for temporary classroom facilities would average approximately $325 per student, while the principal and interest payments on a permanent facility would average only about $350 per student, assuming 20 year bonds were issued for the construction of a school facility at seven percent interest. Although capital facilities costs would extend far into the future while rental costs would be incurred for only a few years, the school's financial position is so strong in the long run that temporary facilities offer no real financial advantage (assuming mechanisms are available for financing new classroom construction).

"In projecting revenues for the school district, a procedure was followed similar to that used for budgetary purposes by the school district. That is, projections were made of revenues from each of the following sources: the 12 mill county school levy, a 10 mill levy on assessed valuation levied at the school district level, the 1.64 mill tax imposed as a part of the general county 12 mill levy, income from so-called fixed sources (land income, etc.) and income to the school district related to population (fines, fees, etc.). These revenue sources were then compared to the projected cost of the "foundation program" to determine estimated revenues forthcoming from the state school foundation fund. The results of these projections indicate that school foundation income would rise to approximately $1.3 million during FY 1979, and drop off rapidly to nothing in FY 1982. It is projected that state supplemental aid would also be eliminated by FY 1978 due to increased assessed valuation in the county.

"All sources of school district revenue are summarized on line 225 of Table A-24 based upon the assumption that a total of 25 mills are levied at the district level. These projections show that revenue would rise from approximately $2.4 million in FY 1977 to a long-term level of over $6 million by FY 1984. Comparing operating revenue projections and current debt service costs, it is apparent that School District One would have financial problems during the first few years of the construction period. Excluding costs associated with new capital facilities, the school district is projected to run budget deficits of approximately one-third of $1 million per year from FY 1977 through FY 1979. By FY 1980, this deficit should be reduced to $55,000, and the school district would have revenue far in excess of its needs from FY 1981 through FY 1986.

"Line 261 shows accumulated surpluses and deficits over the 10 year period from FY 1977 through FY 1986. Over the 10 year period, School District One would generate revenues of approximately $2.4 million in excess of expenditures at current tax rates. However, as pointed out above, financial problems would be encountered through FY 1980. Line 262 shows the implications of raising the district-wide mill levy by three mills (with voter approval). However, this tactic would not completely solve the district's financial problems from FY 1977 through FY 1979.

In summary, School District One would be the hardest hit of any local governmental entity during the construction period because school district revenues are based almost entirely upon assessed property valuation in the county, and although assessed valuation is expected to increase dramatically in the long run, the rate of increase would not keep pace with enrollment growth through 1980. Unfortunately, the school district does not benefit from increased sales and use-tax revenues as do the city and county."

COMMENTS

The time path of revenues and expenditures for the Wheatland district is more typical of the boomtown fiscal syndrome. The new school facilities cannot be built in the usual manner in the early years of development because the bonded indebtedness of the unified school district is limited to 10% of assessed valuation. And, on the operating side, a shortfall in revenues is predicted to last until 1980 or 1981. The revenue gap would be a little shorter duration if the voters were willing to authorize an extra 3 mill levy. Millage rates allowed without a vote, namely, 25 mills (in excess of the required county-wide levies), will result in an accumulated revenue gap until 1982. The high gap in expenditures over revenues amounting to $1.1 million on an accumulated basis would take place in 1980.

The Missouri Basin Power Project officials were required by the new Industrial Siting Act to provide evidence that new large energy developments would be accompanied by adequate public services and housing in the community. The officials have worked very closely with public leaders, boards, and commissions at all levels of government and community affairs. New school facilities are being built by a non-profit corporation which hopes to sell tax-exempt bonds guaranteed by the power project. The school district will lease the facilities and eventually acquire possession on release purchase agreement. School operating revenues will be boosted by power project "loans", which are the moral obligation of the school district to repay in later years.

School District #1 has had its front-end financing problem resolved in the above manner. Unfortunately, the procedures require a private operation, the Mirrouri Basin Power Project, to advance funds to the public sector without a firm obligation of repayment. The procedure used would be difficult to replicate in other communities. If several private firms had been involved in a variety of energy developments in the Wheatland area, coordination of them in a similar financial plan would have been very difficult.

A Wheatland-type school situation calls for an improved public finance structure. Local units of government are the creatures of the state government. A state responsibility exists toward local problems. Authorization for a state lending authority or agency to extend deferred payment loans for operating capital purposes could provide necessary front-end funds. Loans could be phased into the revenue pattern of the energy project. A schedule of repayment with interest could be programmed for the years immediately following the completion of the project. The state loan would be, in a sense, refinanced by the new financial and bonding capacity of the school district, based upon the rapidly rising assessed valuation of the district. This lending authority is feasible under the BLM Organic Act referred to in Chapter II.

The Wyoming Joint Powers Act will allow units of government to jointly make a formal request for authority to finance joint projects. A possible avenue for financing school construction may be a lease purchase agreement, whereby a school district pays a rental which is applied to the eventual purchase of the facility. In the interim, the facility would be privately owned. Or, revenue bonds may be issued to the Joint Powers Board to build the facility with the bonds to be repaid by the rental income from a lease by the school district.

The various schemes or strategies require a cash flow from taxes or other revenue sources. School districts are limited to a millage of 28 mills, assuming an approval of the three extra voted mills. General obligation bonded indebtedness has been limited to 10 percent of taxable values in a unified district. An increase to 15 percent was rejected by the electorate on November 2, 1976. Often, a developing area is short of assessed valuations in the first few years, until a development is completed. Furthermore, the school districts located nearby an energy development, but which do not share in the increased mill or industrial valuations, may experience a difficult financial situation indefinitely.

Until a far-reaching solution such as a statewide taxation of energy developments, can be designed in a manner which is fiscally sound and politically acceptable, interim solutions may be required.

The severance and other taxes when aggregated on surface-mined coal in Wyoming are about one-third of the level of taxes imposed in Montana and are less than those in North Dakota. An increase in mineral production taxes coupled with a sharing of the increase with local communities, rather than used for state purposes, as are the major share of the present severance taxes may be one feasible approach. If such taxes are increased to provide aid to school districts and city and county impacts, it is recommended that a feature of the revenue distribution to the communities include sizable amounts allocated on the basis of the residence of the workers in energy developments. This procedure would divert monies into the impacted areas regardless of the location of the taxable value of the mineral production, minerals, and other energy developments.

The revenue share to impacted schools, towns, or counties may be excessive, in some cases, in light of other revenue sources. A distribution plan or formula should provide a revenue cut-off mechanism to avoid excessive funding in certain areas. Any revenue-sharing program to impacted communities should be designed to avoid under compensation in the early years and over compensation in the later years of a development.

An individual and corporate income tax or output tax also could be enacted to provide more state funds for impacts and other needs. An income tax has not been enacted in Wyoming and hence, apparently, is not politically viable, particularly since the constitution provides that property taxes must be a credit against an income tax. Therefore, the income tax levy would have to be quite high to yield adequate revenue. In addition, an income tax would be imposed, no doubt, on citizens or businesses, in order to meet legal uniformity requirements. This may rule it out as an impact assistance measure.

Federal mineral royalty receipts are included in the state school foundation program. The foundation program is of particular assistance to districts, which are low in valuations. Hence, the program is of assistance to some impacted areas which have not acquired increased taxable values. The new additional mineral royalties under recently enacted S.391 will increase Wyoming's share by one-third or $12 million more per year. These funds should be directed, in part, to alleviate local school problems whether directly by grants or by means of money received under the three percent loans available under the BLM Organic Act program referred to in Chapter II.

CHAPTER VI

FINANCIAL STRATEGIES TO ALLEVIATE SOCIOECONOMIC IMPACTS IN WYOMING

The impact problems experienced by local communities in Wyoming are unique in several respects. Coal production and related energy developments in the state are expected to be of a greater magnitude than in other western states during the next decade and a half. Several forecasts have coal production going up four-fold during the next ten years. In addition to the impacts from coal, uranium, and other energy resource development is the accelerated production of trona which will impact certain communities in the state. The state is also impacted by workers who are employed in Montana and reside in Northern Wyoming, mainly in the Sheridan region.

In the realm of state and local finances, Wyoming is unique (1) in not imposing a corporate or individual income tax, (2) in utilizing state permanent trust funds to alleviate impacts and (3) in establishing a Community Development Authority to provide low interest loans for public facilities and private and public housing.

The problems of financing capital facilities and operating programs are encountered by cities, school districts, and counties. The problems of the towns and cities are particularly acute.

THE CITY PROBLEM

In Wyoming, as well as in most of the other western states, the most severe impact problem is faced by municipalities. The central core of the financial problem stems from the fact that the valuation of mines, mineral production, and related energy developments, such as power plants, are usually located in the unincorporated area in a particular county. Generally, the towns or cities have the bulk of the workers and their dependents while the taxable valuations of energy development are located in a school district in an unincorporated area not subject to municipal taxation.

The towns, villages, and cities have a short and long-run problem; the counties' and school districts' financial problems are more apt to be of shorter duration. The reason the counties and schools have less of a problem, particularly in the long-run, stems from the fact that eventually the valuations of energy development will provide a very large taxable base when the project is completed and on line. The cities have access to principally the sales tax revenues collected on machinery, equipment, and construction materials purchased in the county or city.

State aid to and tax sharing with local government in Wyoming is less pronounced than in the typical western state, and therefore the towns and cities must rely more heavily on alternative sources of revenue. All alternative sources are limited for reasons which have been mentioned. Finances are further constrained by the limitations on mill levies for operating and capital facilities. An effort to increase the indebtedness limitations in November, 1976, was turned down by the electorate.

The property subject to ad valorem taxes consists mainly of residences of workers residing in the towns and cities, as well as the valuation generated by secondary economic activity of commercial businesses, such as retail trade and services. Since construction workers often live in mobile homes, their housing valuations usually furnish a moderate to low taxable base.

Pledged funds, as well as grants, are available from the coal impact tax but the use is restricted to streets, highways, sewer and water projects. In order to alleviate adequately the growing impact problem for cities and towns the amount of coal impact revenues might be increased and the uses liberalized. The amount of funds for loans by the Farm Loan Board under the Joint Powers Act also might be increased.

In addition to these strategies would be the use of loans from the federal BLM Organic Act (PL 94-579), as recently amended, if the Congress authorizes an adequate appropriation. The federal legislation provides that local units of government, as well as the state, could borrow at no-more-than a 3% interest rate.

ADDITIONAL REMEDIES

The town, villages, and cities which are impacted require some access to the taxable resources which are created by the energy developments. This access may take several forms. One form is a sharing of a property valuation of the facility on a regional basis. For example, governmental boundaries could be re-drawn, or a portion of the new valuation could be shared by governmental units in a multi-county impacted area. The latter approach is used for sharing industrial valuations among units of government in the Minneapolis-St. Paul metropolitan area. This approach is often thwarted by the governmental units which are being asked to share their taxable property base. The instrument for doing this on a voluntary basis exists as at present in Wyoming by means of the Joint Powers Act. To our knowledge, there has been no sharing of the tax bases of units of Wyoming governments, one with another, as yet, using this particular vehicle. Nonetheless, there have been instances in Campbell and Sweetwater counties and elsewhere whereby the county has undertaken services which are ordinarily a municipal service.

The state could channel additional revenues derived from energy development into impacted areas by either formula or administrative judgment. The distribution of additional state funds to impacted municipalities may be called for because of millage limitations on the property tax and the inability of cities to expand borrowing because the cash flow of share revenues is not adequate to amortize the debt which would be incurred.

There has been no official estimate of the total foreseen capital and operating needs compared with the expected revenues available to meet the needs for all impacted communities. However, local studies which have been completed, the demands placed upon the farm loan board, and the applications made to the Community Development Authority indicate a substantial backlog of necessary public facilities.

The state has several sources of revenues either for grants or loans, which have not, as yet, been utilized. An example is the mineral trust fund which now totals $58.8 million and which could be loaned to impacted communities. Another source of possible state revenue is a corporate and/or individual income tax or a levy on the output of energy facilities. [1] Lastly, the state could, no doubt, make additional loans from the recently increased state permanent trust funds to town, cities, school districts and counties.

POSSIBLE SOLUTIONS

A procedure to tax and redistribute energy development revenues could be accomplished by the state taxation of the properties of these operations. This is done in many states for the taxation under the property tax of railroads, telephone companies, gas and electric companies. While central assessment of these properties and taxation at perhaps an average state property tax rate would be in keeping with the strategy of sharing the taxable base with all units of government, the State of Wyoming is constrained by a constitutional limit of four mills on a statewide property tax. An alternative would be to tax the energy development under an output tax and share these revenues with units of government. A state which does this in practice already is North Dakota. North Dakota does not impose a property tax on coal conversion facilities with the exception of the tax imposed on land. Consequently synthetic gas plants or electrical generation plants pay a tax based on the output of the facilities. The taxes on output of these facilities are shared by the state, cities, schools, and counties, as set forth in the legislation.

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[1] The state constitution requires a credit for ad valorem (property) taxes against any income tax which is enacted. Therefore, the income tax rates would have to be quite high to assure an adequate net yield.

This tax and distribution strategy has several features which merit its consideration. It helps resolve the problem which all states will face of energy development regions becoming too wealthy in the intermediate and long-run period. While impacted areas which have access to the taxable base may be short of funds in the first four or five years of development, until the project is completed, there is an issue which must be addressed by the state which concerns the establishment of a so-called, tax colony. The impacted area, for example, a school district in which a plant is located, may be excessively wealthy in the long-run, which will lead to a decided imbalance in the financial capability among the school districts in a state. A similar situation exists vis a'vis the imbalance in the fiscal capabilities of counties, as well.

The revenues from broad-based state taxes on energy development, which are derived in accordance with the above strategy, would not fully resolve the front-end financial requirements of communities. Regardless of the type of tax, tax revenues are limited in amount in the early phase of energy developments. Sales and use taxes are the major taxes which are immediately responsive to developments because they are imposed as construction materials and machinery are purchased. Revenues from income, gross revenues, severance and other taxes are received after the project is in operation which may take several years.

There are community needs for capital structures and for accelerated operational expenses which precede the complete development of an energy project. This situation often is alleviated by grants, loans, pre-paid taxes, increased indebtedness, and higher existing taxes.

The early construction phase requirements could be underwritten by state or federal governments. A state agency could be authorized to extend the necessary funds to the impacted communities from appropriated taxes or borrowed funds. The state loans could be supported by a pledge of taxes derived from energy development. The present and prospective revenues derived from taxes on particular energy developments could have first call for the amortization of such state loans to finance construction of facilities and the operations of local governments in the early phase of construction. This could be extended beyond the initial phase of a development if it is found to be needed. In effect, the local community would be financing some of its requirements through the earmarking of state revenues which would be dedicated to impacted area assistance.

This type of arrangement perhaps could now be implemented because of new federal legislation. The BLM Organic Act provides that the state's share of mineral royalties which is 50% of the total collected in a state can be used prospectively. The state and its local subdivisions are eligible for loans to the extent of ten years' prospective collection. This source of advances of revenues is a moot question because no federal appropriation has been made as yet. There is no reason why the state government could not create a similar type of procedure from the taxation of energy developments in the state with the funds dedicated to paying off loans to local governments. A more full-blown state program in Wyoming has a precedent in the coal impact tax program under which the tax grants may be used as pledges to back the Farm Loan Board loans.

STATE GOVERNMENT STRATEGIES

Findings

The State of Wyoming has enacted several innovative programs to provide assistance to impacted communities. In many respect Wyoming is providing guideposts for other states to follow. A proposed state loan program described in working draft prepared for study by the Select Committee on School, City, and County Finances would advance even further the resolution of both the problems of adverse community impacts and the problem of imbalances in fiscal capacities among local governments which derive, in part, from the cluster of mineral production and related energy developments.

The most pressing problem which requires an adequate response is the tax and other revenue shortages of local governments near energy developments which do not share in the taxable valuations. These communities have a short-term problem of front-end financing as well as the long-term problem of adequate revenues for future capital needs and operating programs. This problem is accentuated in those areas near other states in which their residents are employed.

There are immediate and near-term needs for planning, public facilities, and services. The needs among municipalities, schools and counties often cannot be met by local taxation because the taxable valuations are not fully added to the tax rolls until the projects (i.e., the mine, power plant) are completed. The front-end public needs cannot always be financed adequately by local bonded indebtedness because the debt limits are restricted, borrowing is not usable for operations, and the taxable base for bonding or operations has not been fully developed as yet since the energy projects may be in a status of being constructed.

The immediate front-end financial strategies should not cloud over the long-term issue of imbalances in tax structures. Those taxing jurisdictions in which energy developments take place in the long run will have per capita taxable valuations far in excess of other taxing jurisdictions. At present, eight counties in Wyoming have over 80% of the mineral valuations.

The state sales tax provides for a distribution of one-third of the revenues from the three percent tax to be shared by municipalities and counties. The complementary use tax provides for one-sixth to be returned to local government. The previous U. S. Census population (1970) is being used to distribute the sales tax revenues despite radical changes in population.

Alternative Strategies

The CDA Authority, which is now awaiting a test of constitutionality, could be utilized together with other recommended strategies. The state and local units have possible access to (1) a federal loanable fund based upon state shares of future mineral royalties at not-to-exceed three percent interest; (2) state permanent trust fund loans,

(3) coal impact tax grants; (4) the state mineral trust fund.

State loans from the permanent trust funds could be continued and enlarged upon by the devotion of mineral trust funds, which now total $58.8 million, for local government loans. The coal impact tax fund should be expanded by increasing the tax.

The state and local subdivisions may be able to obtain advances of the state mineral royalty funds from the federal government at the interest rate of not-to-exceed three percent. These monies could be directed largly to municipalities and other local units of government which will not receive the benefits of expansions of taxable valuations from energy developments

Recommended Strategies

State tax programs to tax mineral production and other energy developments such as power plants under a statewide system should be encouraged. The revenues should be distributed to municipalities, schools, and counties in a manner which fosters equality, recognizing the greater demands for public services in areas of rapid development. A statewide tax may be designed to be in addition to the local property tax with a distribution plan which takes into consideration the variations in financial capabilities of communities at present and in future years. An alternative would be the exemption of local property taxes to be replaced by a statewide tax.

The recent increase in state trust funds by the enactment of the additional 1/2 percent tax on coal under Enrolled Act 118, (1977), will provide more loanable funds for affected communities. An appropriate state financial aid-to-community strategy will include, however, the state's enhancement of local revenues. If the state does not directly assist local communities, a mandatory program calling for a joint sharing of the local taxable property will be required.

The new distribution of state shared federal mineral lease revenues as specified in Enrolled Act 120 (1977) is a move in the right direction. Nevertheless, the share for state highways of 26¼ percent should have been reduced in order to channel some of these funds to towns and cities adversely affected by rapid energy developments.

MUNICIPAL STRATEGIES

Findings

Municipalities are uniquely affected by accelerated economic developments. The workers tend to reside in towns and cities and create greater needs for sewer, water, street, and other public facilities, as well as increased pressures for police, fire, health, and other operating expenditures. Taxable valuations increase moderately in the towns and cities; the sharp increases in taxable valuations occur in the unincorporated area of the county where energy developments take place.

A significant feature of municipal finance in Wyoming cities is the subordinate role of the property which was eight percent of total general revenue in 1974-75 according to the U.S. Census Bureau. In both Gillette and Wheatland, the property tax revenues are less than five percent of total revenues. The major general and other revenue sources are sales and use taxes and utility receipts, including hook-up charges.

Property taxes are not a major source for three reasons: (1) the valuation of energy developments, as a rule, are not included within municipal boundaries and (2) the operating millage levy is limited to eight mills and (3) bonded debt is limited to four percent of assessed valuation, except for sewer and water projects.

The disparity in valuations between cities and schools and counties is striking. In 1976, the city of Gillette had an assessed valuation of $13.5 million, compared with a school and county valuation of $304.7 million. Wheatland has a valuation projected to increase to about $10 million, compared to a Wheatland school valuation projected at $150 million in the early 1980's.

Cities and towns will be forced to finance their needs largely by means of internal, self taxation and user charges, unless an avenue is found to expand the tax base to include energy developments. A possible means would be the channelling back to cities and towns the state tax revenues from energy developments.

Regions which provide services and facilities for workers who are employed outside of the state but reside in the state present a problem which is unique. An example is Sheridan, Wyoming, which has no power to tax the Montana energy developments, although many workers in such developments reside in the Sheridan area.

Alternative Strategies

A statewide tax on the output of mineral production and energy developments, such as power plants could replace the property tax on these facilities. The revenues could be distributed to all local governments in an equitable manner.

If this proposal is unacceptable, the local property tax on mineral production and facilities and energy facilities may be continued, and a moderate state tax on output may be enacted. The revenues could be channelled to local governments in proportion to extent of residence of the workers employed by such facilities.

State shared federal mineral lease revenues may now be used for local government purposes as the legislature may direct. Recent legislation, Enrolled Act 120 (1977) distributed 7½ percent to all cities and towns with a minimum of $10,000 per unit. The pro rated amount to cities and towns within each county is based upon the 1970 Census. Perhaps the proration could be based upon University of Wyoming estimates instead of dated census figures.

An additional 10½ percent of mineral lease revenues is deposited into a royalty impact fund to be used for grants to counties, towns, cities and joint power boards. The allocation of mineral lease revenues could be increased in light of the needs of impacted communities.

Municipal debt limits for general obligations is now four percent of assessed value except for sewer and water projects. A proposal to increase the debt limit could be resubmitted to the electorate.

A local income tax could be authorized to enhance the revenue flows in municipalities.

The state use tax assesses a tax on machinery and equipment purchased outside of the state and brought into the state. Since the machinery and materials are brought into the impacted areas where the mining operations are taking place, these impacted areas could receive benefits from an increase in the use tax distribution to one-third of the total revenues.

Recommended Strategies

The state should increase the share of mineral lease revenues allocated to municipalities affected by energy developments. This would be in keeping with the federal statutes which provides that priority must be given to the needs of areas impacted by activities stemming from mineral production on federal lands (PL 94-579).

It appears that the proportion of the coal severance taxes allocated to the coal impact grant fund, namely, a 2 percent tax in 1978 is too modest. The recent increase in the tax to a 10.5 percent rate should provide a greater allocation to the purpose of grants or pledges against loans for impacted communities.

A mandatory sharing of a county's property tax base, which has been increased by energy developments, should be provided by state law. The extent of this sharing should be predicated upon an analysis of fair apportionment by staff research in executive and legislative offices. Utah's special district legislation could serve as a prototype statute.

The debt limit should be increased; a proposition should be resubmitted to the electorate.

SCHOOL DISTRICT STRATEGIES

Findings

The time path of revenues and expenditures for the Wheatland district is more typical of the boomtown fiscal syndrome. The new school facilities cannot be built in the usual manner in the early years of development because the bonded indebtedness of the unified school district is limited to 10% of assessed valuation. And, on the operating side, a shortfall in revenues is predicted to last until 1980 or 1981. The revenue gap would be a little shorter duration if the voters were willing to authorize an extra 3 mill levy. Millage rates allowed without a vote, namely, 25 mills (in excess of the required countywide levies), will result in an accumulated revenue gap until 1982. The high gap in expenditures over revenues amount of $1.1 million on an accumulated basis would take place in 1980.

The Missouri Basin Power Project officials were required by the new Industrial Siting Act to provide evidence that new large energy developments would be accompanied by adequate public services and housing in the community. The officials have worked very closely with public leaders' boards and commissions at all levels of government and community affairs. New school facilities are being built by a non-profit corporation which will issue tax exempt bonds guaranteed by the power project. The school district will lease the facilities and eventually acquire possession on release purchase agreement. School operating revenues will be boasted by power project "loans", which are the moral obligation of the school district to repay in later years.

The Wheatland School District has had its front-end financing problem resolved in the above manner. Unfortunately, the procedures require a private operation, the Missouri Power Project, to advance funds to the public sector without a firm obligation of repayment. The procedure used would be difficult to replicate in other communities.

A report by the Legislative Select Committee on School, City, and County Finances, entitled Working Draft No. 7, sets forth a proposal for substantial change in state and local tax policy to aid impacted areas and alleviate imbalances in local taxing capacities. Minerals and mineral production would be exempt from property taxation and a state imposed output tax would be substituted. The tax revenues from an output tax of 5.2 percent of the dollar volume of mineral production would be distributed to counties, school districts, community colleges, and special districts. The tax rate would be raised above 5.2 percent to finance county wide school levies and the state loan fund. Counties would receive 19 percent of the revenues proportionate to population, area, and mineral production, with equal weights given to each factor. School districts would receive 75 percent of the revenues, with a 20 percent weight given to classroom units and an 80 percent weight given to mineral production in the district in relation to the state totals scheduled to decline to zero weight after five years.

The borrowing capacity of local governments would be increased by the dedication of the state excise tax to loans to local units including cities and towns. State loans up to 50 percent of the project would be from the mineral trust fund and repaid by the new excise tax. Local borrowing capacity would be increased. City and town borrowing capacities would be about doubled if the proposal were adopted.

Alternative Strategies

The revenue share to impacted school districts may be excessive, in some cases, in light of other revenue sources. A distribution plan or formula should provide a revenue cut-off mechanism to avoid excessive funding in certain areas. Any revenue-sharing program to impacted communities should be designed to avoid under compensation in the early years and over compensation in the later years of a development.

A Wheatland type school situation called for an improved public finance structure. Local units of government are the creatures of the state government. A state responsibility exists toward local problems. Authorization for a state lending authority or agency to extend deferred payment loans for operating capital purposes could provide necessary front-end funds. Loans could be phased into the revenue pattern of the energy project. A schedule of repayment with interest could be programmed for the years immediately following the completion of the project. The state loan would be, in a sense, refinanced by the new financial and bonding capability of the school district, based upon the rapidly rising assessed valuation of the district.

The Wyoming Joint Powers Act will allow units of government to jointly make a formal request for authority to finance joint projects. A possible avenue for financing school construction may be a lease purchase agreement, whereby a school district pays a rental which is applied to the eventual purchase of the facility. In the interim, the facility would be privately owned. Or, revenue bonds may be issued to the Joint Powers Board to build the facility with the bonds to be repaid by the rental income from a lease by the school district.

The working draft No. 7 proposal which is a study draft of the committee has several desirable features. It creates a mechanism to redistribute the financial capabilities among local governments. In addition, borrowing capacities are expanded and the state increases its aid to communities by financing fifty percent of capital facilities to the extent of the mineral trust fund account. The loans are free of interest.

The proposal does not provide for additional direct revenues for municipalities. Cities and towns should be included in financial strategies because these governments must furnish services to residents who work in energy development. Municipalities face a revenue problem in the short-run and the long-run.

The exclusion of energy developments, such as power plants and synfuel facilities, reduces the scope of the proposal. An output excise tax should include these developments, perhaps, because fiscal imbalances are created by these projects as well as by mining operations. If these projects are included a provision should be made to require ad valorem taxes during the construction period

Recommended Strategies

Federal mineral royalty receipts are included in the state school foundation program. The foundation program is of assistance to districts which are low in valuations. Hence, the program is of assistance to some impacted areas which have not acquired increased taxable values. The new additional mineral royalties under recently enacted (PL 94-579) will increase Wyoming's share by $12 million to a total of $50 million a year. A recent legislative action, Enrolled Act 120 (1977) distributes 37½ percent of the revenues to the state school foundation program. It is recommended that a portion of this revenue be allocated, in the future, to school districts affected by energy developments but which do not experience increased new taxable valuations from the projects.

Viable schemes or strategies require a cash flow from taxes or other revenue sources. School districts are limited to a millage of 28 mills, assuming an approval of the three extra voted mills. General obligation bonded indebtedness has been limited to 10 percent of taxable values in a unified district.

Restrictions on bonded debt should be raised and this action should be submitted to the electorate again for approval. Furthermore no approval should be required for the three extra mills for general operations.

The Farm Loan Board should request increased funding from the legislature. A portion of the increase should be directed toward assistance to school districts which are impacted by increased enrollments from a rising resident population as a result of energy projects. Assistance for the school districts in which the projects are located would only be necessary to accomodate the early years of enrollment increases. Capital facility construction which may require capital funds should be underwritten by loans from State Permanent Funds to the extent a school district has reached its bonded limits.

APPENDIX

Table A-1

STATE INVESTMENTS BY MAJOR TYPE

Issue	Par Amount	Average Interest Rate*	Rating
U.S. Federal Agency Securities (i.e., FNMA, GNMA, FHA, FHDA, FHLMC, Export-Import Bank, TVA, Bank for Co-ops, FICB, etc.)	$146,021,850	6.2929%	AAA
Revenue-Sharing	$ 3,159,750	6.0187%	--
Corporate Bonds	$ 78,670,250	6.9652%	
	25,450,000		AAA
	19,512,000		AA
	26,299,250		A
	6,909,000		BAA
Deposits with Wyoming Banks	$ 36,960,000	6.26%	--
Deposits with Wyoming Savings and Loan Institutions	$ 1,400,000	6.7294%	AAA
Farm Loans	$ 28,274,050	6.1382%	--
Irrigation Loans	$ 21,896,057	4.5073%	--
Community College Bonds	$ 4,549,000	3.8686%	--
State Building Bonds	$ 4,815,000	4.3318%	--
Joint Powers Loans	$ 3,355,000	5.50%	--
Miscellaneous (Capehart, Carter Spa & Inn, FHA-Guaranteed, School Districts, ESC, Municipals, etc.)			
Small Business Administration (SB) Guaranteed Loans	$ 2,106,455	6.2621%	--
State Checking Account Balance (As of June 30, 1976)	$ 3,912,262		
	$340,404,592		

* Average Annual Interest Rate as of June 30, 1976

Note: Above does not include the daily short-term investments using Repurchase Agreements.

Source: State Treasurer Report, 1976

Table A-2

STATUS OF GRANTS MADE & COMMITTED FROM COAL IMPACT TAX REVENUES

Total to be Collected $160,000,000

September 30, 1976
Estimated Revenue 1977-1990
Use of Revenues Required by Law

YEAR		sewer and water 40% projects	60%-streets[1] & roads	Total Available
1975	(Estimated)	$ 83,200	$ 124,800	$ 208,000
	(Actual)	113,054	169,580	282,634
1976	(Estimated)	214,800	322,200	537,000
	(Actual)	398,900	598,350	997,250
1977		768,000	1,152,000	1,920,000
1978		1,584,000	2,376,000	3,960,000
1979		2,640,000	3,960,000	6,600,000
1980		3,000,000	4,500,000	7,500,000
1981		3,600,000	5,400,000	9,000,000
1982		4,000,000	6,000,000	10,000,000
1983		4,000,000	6,000,000	10,000,000
1984		4,000,000	6,000,000	10,000,000
1985		4,000,000	6,000,000	10,000,000
1986		4,000,000	6,000,000	10,000,000
1987		4,000,000	6,000,000	10,000,000
1988		4,000,000	6,000,000	10,000,000
1989		4,000,000	6,000,000	10,000,000
1990		3,896,046	5,844,070	9,740,116

[1] Note: The allocations were changed in 1977 by Enrolled Act No. 118 to not less than 50 percent for roads, streets or highways.

Source: Wyoming Farm Loan Board.

Table A-3

STATUS OF COAL TAX GRANTS IN PROCESS

September 30, 1976

Grant No.	County	Applicant	Date Approved	Total Amount	Disbursed to Date
CTG-1	Converse	Town of Douglas	8-6-75	$ 40,000	$40,000
CTG-2	Campbell	Town of Gillette	9-4-75	$ 28,500	$28,500
CTG-3	Carbon	Town of Hanna	9-4-75	$ 28,500	$28,500
CTG-4	Campbell & Crook	Wyo Highway Dept.- Clareton-Reno	11-7-75	$4,125,000	$ ----
CTG-5	Platte	Wheatland & Guernsey	12-3-75	$4,500,000	$ ----
CTG-6	Campbell	Town of Gillette (Tank)	1-6-76	$ 282,000	$ ----
CTG-7	Campbell	Town of Gillette (Sewer)	1-6-76	$ 621,250	$ ----
CTG-8	Lincoln	Town of Kemmerer	1-6-76	$ 750,000	$ ----
CTG-9	Converse	Town of Douglas	4-26-76	$1,790,255	$ ----
CTG-10	Uinta	Town of Evanston	4-26-76	$1,105,414	$ ----
CTG-11	Converse	Town of Glenrock	4-26-76	$ 36,000	$ ----
CTG-12	Carbon	Town of Hanna	4-26-76	$ 452,828	$ ----
CTG-13	Uinta	Town of Mountainview	4-26-76	$ 102,156	$ ----
CTG-14	Sheridan	County of Sheridan	4-26-76	$ 605,000	$ ----
CTG-15	Sweetwater	Wyo Highway Dept- Rock Spgs Belt Line	5-6-76	$5,200,000 (+ interest)	$ ----
CTG-16	Carbon	Town of Saratoga	7-26-76	$2,884,200	$ ----

Source: Wyoming Farm Loan Board

Table A-4

JOINT POWER ACT LOANS
BY FARM LOAN BOARD
1974-76

Appl. No.	County	Applicant	Amount & No. of Years	Date Approved
JPA-1	Campbell	City of Gillette	$ 775,000. -25 yrs.	11-07-74
JPA-2	Sweetwater	Memorial Hospital	$4,000,000. -40 yrs.	11-26-74
JPA-3	Lincoln	Town of Kemmerer	$1,500,000. -20 yrs.	11-26-74
JPA-4	Campbell	City of Gillette	$5,000,000. -20 yrs.	01-02-76
JPA-5	Teton	Jackson Hole Airport	$ 225,000. -20 yrs.	05-02-75
JPA-6	Sweetwater	West. WY Coll. Jt. Housing Bd.	$1,750,000. -40 yrs.	05-02-75
JPA-7	Sweetwater	Rock Springs Airport	$1,500,000. -35 yrs.	05-02-75
JPA-8	Weston	Weston Manor Joint Powers	$ 250,000. - 2 yrs.	07-09-75
JPA-9	Uinta	Bridger Valley Joint Powers B	$1,440,000. -32 yrs.	08-06-75
JPA-10	Goshen	Town of Torrington	$ 200,000. -20 yrs.	11-06-75
JPA-11	Goshen	Torrington Cty. Mem. Hosp.	$ 200,000. -30 yrs.	11-06-75
JPA-12	Crook	Sundance-Cook Cty. Mem. Hosp.	$ 280,000. -15 yrs.	12-03-75
JPA-13	Platte	Towns of Wheatland-Guernsey	$3,400,000. -10 yrs.	12-03-75
JPA-14	Converse	Town of Douglas	$1,855,000. -20 yrs.	04-26-76
JPA-15	Uinta	Town of Evanston	$1,035,000. -20 yrs.	04-26-76
JPA-16	Carbon	Town of Hanna	$ 395,000. -20 yrs.	04-26-76
JPA-17	Carbon	Town of Saratoga	$2,020,000. -15 yrs.	07-26-76
JPA-18	Uinta	Town of Evanston	$ 85,000. -20 yrs.	10-05-76
JPA-19	Platte	Town of Glendo	$ 300,250. -10 yrs.	10-05-76
JPA-20	Uinta	Town of Mountainview	$ 315,000. -20 yrs.	10-05-76

Source: Wyoming Farm Loan Board

Table A-5

FARM LOAN REPORT

May 31, 1976

Type of Loan	Statute	Authorized
Farm Loans	-Chapter 118, 1921	$38,230,831.75
Irrigation Dev.	-Chapter 141, 1955	$60,000,000.00 (or 1/3 permanent funds)
School Districts	-Chapter 95, 1957	$ 2,000,000.00
Development	-Chapter 84, 1963	$ 300,000.00
Hot Springs State Park	-Chapter 139, 1967	$ 2,000,000.00
Joint Powers Act Loans	-Chapter 21, 1974	$30,000,000.00
Coal Tax Act (Grants)	-Chapter 120, 1975	$ 282,557.99

INTEREST RATES ON LOANS ISSUED

			Interest
Farm Loans:	4%	- $ 2,916,766.33	$ 116,670.65
	5%	- $ 1,795,353.63	$ 89,767.68
	5½%	- $ 1,307,178.10	$ 71,894.80
	6%	- $ 9,529,863.40	$ 571,791.80
	7%	- $11,970,149.36	$ 837,910.46
		$27,519,310.82	1,688,035.39
Irrigation Loans	1½%	- $ 825,000.00	$ 12,375.00
	4%	- $10,715,316.87	$ 428,612.67
	5%	- $ 2,520,461.25	$ 126,023.06
	5½%	- $ 6,707,278.57	$ 368,900.32
		$20,768,056.69	935,911.05

Source: Wyoming Farm Loan Board.

Table A-6

CAMPBELL COUNTY INFRASTRUCTURE STUDY

SUMMARY REPORT CAMPBELL COUNTY REVENUE AND EXPENDITURES SUMMARY
PLAN NAME MEAN

PLANNING ITEM	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
123 TOTAL OPERATING EXPEN ($M)	2196.0	2585.0	2864.4	3074.3	3415.2	3590.0	3668.2	3723.6	3762.2	3789.4	3809.1
165 TOTAL COUNTY CAPITAL EXP($M)	--	4237.0	5236.7	5999.2	7262.5	7920.7	8219.5	8432.1	8580.7	8686.0	8762.0
166 NEW FACILITIES DEBT SERV($M)	--	541.5	669.2	766.7	928.2	1012.3	1050.5	1077.6	1096.6	1110.1	1119.8
200 CAMPBELL CO TOTAL EXP ($M)	2622.0	3550.2	4057.3	4440.9	5069.6	5394.4	5540.6	5644.4	5716.8	5768.1	5805.0
198 CURRENT TOTAL CO REVENUE($M)	3311.6	5146.6	6247.7	7732.1	9613.5	10923.6	10700.2	10746.2	10778.6	10801.5	10817.8
201 CURRENT CC RESOURCE GAP ($M)	690.0	1596.4	2190.4	3291.2	4544.0	5529.3	5159.5	5101.8	5061.8	5033.4	5012.8
199 MAX AVAIL TCT CO REVENUE($M)	3522.6	5457.8	6633.6	8226.3	10243.3	11652.6	11462.4	11510.3	11544.1	11567.8	11584.8
202 MAX AVAIL CC RESOURC GAP($M)	901.0	1907.6	2576.3	3785.4	5173.7	6258.2	5921.8	5865.9	5827.2	5799.7	5779.8

Source: Resource Management Systems, Laramie, Wyoming, *A Description of Potential Socioeconomic Impacts from Energy-Related Developments in Cambell County*, September, 1975.

Table A-7

CAMPBELL COUNTY INFRASTRUCTURE STUDY

SUMMARY REPORT CAMPBELL COUNTY OPERATING AND FACILITIES EXPENDITURES DETAIL
PLAN NAME MEAN

PLANNING ITEM		1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
112 GENERAL GOVERNMENT	($M)	513.0	596.7	651.4	689.6	746.3	772.5	783.6	791.2	796.4	800.0	802.6
130 OFFICE FACILITY COST	($M)	--	4.5	33.2	55.0	91.3	110.2	118.8	124.9	129.1	132.2	134.3
113 LAW ENFORCEMENT	($M)	141.0	171.5	193.8	210.8	239.0	253.7	260.4	265.1	268.4	270.8	272.5
137 OFFICE FACILITY COST	($M)	--	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
114 FIRE PROTECTION	($M)	34.0	41.7	47.1	51.3	58.1	61.7	63.3	64.5	65.3	65.8	66.3
145 CAMPBELL CO FIRE PROTECT	($M)	--	46.6	54.8	59.7	68.5	70.7	73.3	75.2	76.5	77.5	78.1
115 HEALTH	($M)	465.0	564.9	638.3	690.4	787.2	835.8	857.7	873.3	884.2	891.9	897.5
152 HOSPITAL FACILITY COST	($M)	--	4081.8	4923.9	5567.3	6632.8	7189.9	7441.4	7620.4	7745.5	7834.1	7898.2
116 ROADS AND AIRPORTS	($M)	460.0	559.7	632.5	681.0	780.0	828.1	849.9	865.3	876.1	883.8	889.3
117 WATER AND SEWER	($M)	1.200	1.412	1.596	1.736	1.968	2.089	2.144	2.183	2.210	2.230	2.244
118 LIBRARY	($M)	19.9	24.1	27.3	29.7	33.6	35.7	36.6	37.3	37.8	38.1	38.3
159 SPACE FACILITY COST	($M)	--	61.7	129.4	188.2	266.9	311.7	331.9	346.3	356.4	363.5	368.6
164 COLLECTION FACILITY COST	($M)	--	42.4	95.4	135.9	203.1	238.2	254.0	265.3	273.2	278.8	282.8
119 AGRICULTURE	($M)	66.0	66.0	66.0	66.0	66.0	66.0	66.0	66.0	66.0	66.0	66.0
120 REVENUE SHARING EXPEND	($M)	303.0	365.9	413.5	449.8	509.9	541.4	555.6	565.7	572.7	577.7	581.4
121 EXIST BONDS AND INTEREST	($M)	193.0	193.0	193.0	193.0	193.0	193.0	193.0	193.0	193.0	193.0	193.0
123 TOTAL OPERATING EXPEN	($M)	2196.0	2585.0	2864.4	3074.3	3415.2	3590.0	3668.2	3723.6	3762.2	3789.4	3809.1
165 TOTAL COUNTY CAPITAL EXP	($M)	--	4237.0	5236.7	5997.2	7262.5	7920.7	8219.5	8432.1	8580.7	8686.0	8762.0
166 NEW FACILITIES DEBT SERV	($M)	--	541.5	669.2	765.7	928.2	1012.3	1050.5	1077.6	1096.6	1110.1	1119.8

Source: Resource Management Systems, ibid.

Table A-8

CAMPBELL COUNTY INFRASTRUCTURE STUDY

SUMMARY REPORT CAMPBELL COUNTY REVENUE DETAIL
PLAN NAME MEAN

PLANNING ITEM		1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
185 CURRENT PROPERTY TAX	($M)	2254.0	3766.8	4671.0	5981.4	7622.6	8823.3	9226.4	9248.6	9264.3	9275.3	9283.1
192 CAMPBELL CO SALES TAX	($M)	690.0	931.3	1079.2	1219.7	1400.2	1485.2	842.6	855.0	863.6	869.8	874.2
193 CO GASOLINE TAX	($M)	170.0	176.0	189.7	196.5	211.6	212.7	218.3	222.3	225.0	227.0	228.4
194 CO CIGARETTE TAX	($M)	2.600	2.692	2.902	3.006	3.236	3.254	3.339	3.400	3.442	3.472	3.494
195 CO LICENSE,PERMITS,FINES	($M)	100.0	138.3	156.3	110.0	192.8	204.7	210.0	213.8	216.5	218.4	219.8
196 CO INTEREST AND RENT	($M)	80.0	110.7	125.0	176.0	154.2	163.7	168.0	171.1	173.2	174.7	175.8
197 CO MISCELLANEOUS	($M)	15.0	20.8	23.5	25.5	28.9	30.7	31.5	32.1	32.5	32.8	33.0
198 CURRENT TOTAL CO REVENUE	($M)	3311.6	5146.6	6247.7	7712.1	9613.5	10923.6	10700.2	10746.2	10778.6	10801.5	10817.8
199 MAX AVAIL TOT CO REVENUE	($M)	3522.6	5457.8	6633.6	8226.3	10243.3	11652.6	11462.4	11510.3	11544.1	11567.8	11584.8

Source: Resource Management Systems, ibid.

Table A-9

PROJECTED REVENUES FOR PLATTE COUNTY FOR THE PERIOD FY 1976-1986 ($'000)

PLANNING ITEM	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
185 COUNTY TOTAL ASSES VALUE	29538.0	37735.7	65658.2	101886.8	126830.9	137624.1	155405.4	164714.9	167876.5	166786.8	166477.4
186 PROPERTY TAX (CURRENT)	--	306.0	390.9	680.2	1055.5	1314.0	1425.8	1610.0	1708.5	1739.2	1727.9
191 USE TAX	8.8	107.1	217.4	222.8	117.6	50.1	59.5	30.3	5.4	.0	.0
192 SALES TAX (3 PERCENT)	107.9	127.2	138.6	179.7	200.3	88.5	78.9	81.7	78.7	69.2	69.2
194 GASOLINE TAX	71.2	84.0	91.4	118.6	132.2	119.5	106.5	110.4	106.2	93.5	93.4
195 CIGARETTE TAX	1.022	1.205	1.313	1.702	1.898	1.715	1.529	1.584	1.525	1.342	1.341
196 OTHER/MISCELLANEOUS TAX	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500
197 LICENCES, FEES, FINES	45.3	53.4	58.2	75.4	84.1	76.0	67.8	70.2	67.6	59.5	59.4
198 REVENUE SHARING	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
199 MISCELLANEOUS REVENUE	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
200 PLATTE CO TOTAL REV(CUR)	336.7	781.4	1000.4	1380.9	1694.2	1752.3	1842.5	2006.7	2070.4	2065.1	2053.9
193 SALES TAX (1 CENT ADD'L)	107.9	127.2	138.6	179.7	200.3	88.5	78.9	81.7	78.7	69.2	69.2
202 PLATTE CO TOTAL REV(4PC)	444.6	908.6	1139.0	1560.6	1894.5	1840.8	1921.3	2088.4	2149.1	2134.3	2123.0
187 PROPERTY TAX (MAXIMUM)	--	365.1	466.4	811.5	1259.3	1567.6	1701.0	1920.8	2038.3	2075.0	2061.5
204 PLATTE CO TOTAL REV(MAX)	444.6	967.7	1214.4	1691.9	2098.3	2094.4	2196.6	2399.2	2478.9	2470.1	2456.6

Source: University of Wyoming, Department of Sociology, *Social Impact Assessment of the Proposed Laramie River Station,* December, 1975.

Table A-10

PROJECTED OPERATING EXPENDITURES FOR PLATTE COUNTY FOR THE PERIOD FY 1976-1986 ($'000)

PLANNING ITEM	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
						OBLIGATED FUNCTIONS					
52 GENERAL ADMINISTRATION	113.1	138.0	152.4	205.5	232.0	206.7	180.9	188.2	179.8	154.4	154.1
53 LAW ENFORECE/JUDICIAL	113.1	138.0	152.4	205.5	232.0	206.7	180.9	188.2	179.8	154.4	154.1
54 FIRE PROTECTION	--	12.0	14.0	18.0	20.0	19.0	18.0	18.0	18.0	18.0	17.0
55 HEALTH	18.0	21.2	23.1	30.0	33.4	30.2	26.9	27.9	26.8	23.6	23.6
59 WELFARE	--	14.8	18.9	.0	.0	.0	.0	.0	.0	.0	.0
60 ROAD AND BRIDGE	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0
61 LIBRARY	--	59.1	75.5	131.3	203.8	253.7	275.2	310.8	329.8	335.8	333.6
62 COUNTY FAIR	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0
63 MENTAL HEALTH	9.0	15.0	20.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	.0
65 OTHER EXPENDITURES	105.0	123.8	134.9	174.9	195.0	176.3	157.1	152.8	156.7	137.8	137.8
						NONOBLIGATED FUNCTIONS					
71 PARKS AND RECREATION	--	56.0	68.0	90.0	95.0	95.0	95.0	85.0	85.0	85.0	85.0
72 DAY CARE	53.9	63.6	69.2	89.8	100.1	90.5	80.6	83.6	80.4	70.8	70.8
73 WELFARE	--	.0	.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0
80 TOTAL OPERATE OBLIGATED	533.2	696.8	766.2	965.2	1116.3	1092.6	1039.1	1095.9	1090.9	1024.0	995.2
81 TOTAL OPERATE NONOBLIGAT	78.9	144.6	162.2	234.8	250.1	240.5	230.6	223.6	220.4	210.8	210.8

Source: University of Wyoming, ibid.

Table A-11

PROJECTED CAPITAL FACILITY EXPENDITURES FOR PLATTE COUNTY FOR THE PERIOD FY 1976-1986

($'000)

PLANNING ITEM	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
					OBLIGATED FUNCTIONS						
102 COURT HOUSE REMODELING	--	400.0	400.0	.0	.0	.0	.0	.0	.0	.0	.0
103 TRUCKS	--	.0	40.0	.0	.0	.0	.0	.0	.0	.0	.0
104 FIRE VEHICLES	--	.0	.0	42.0	.0	.0	.0	.0	.0	.0	.0
105 HEALTH-HOSPITAL	--	474.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
106 HEALTH-VEHICLES	--	20.0	15.0	15.0	.0	.0	.0	.0	.0	.0	.0
108 LAW ENFORCEMENT-VEHICLES	--	5.000	.000	5.000	.000	.000	.000	.000	.000	.000	.000
					NONOBLIGATED FUNCTIONS						
122 RECREATION-CENTER	--	700.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
124 RECREATION-EQUIPMENT	--	.0	15.0	30.0	35.0	40.0	40.0	40.0	.0	.0	.0
126 DAY CARE-CENTER	--	100.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
128 ROAD AND BRIDGE	400.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
130 TOTAL CURRENT OBLIGATED	--	25.0	55.0	62.0	.0	.0	.0	.0	.0	.0	.0
131 TOTAL DEBT OBLIGATED	--	974.0	400.0	.0	.0	.0	.0	.0	.0	.0	.0
132 TOTAL CURRENT NONOBLIGAT	--	.0	15.0	30.0	35.0	40.0	40.0	40.0	.0	.0	.0
133 TOTAL DEBT NONOBLIGATED	400.0	800.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
134 OBLIGATED DEBT SERVICE	--	124.4	181.4	181.4	181.4	181.4	181.4	181.4	181.4	181.4	181.4
135 NONOBLIGATED DEBT SERV	--	113.9	113.9	113.9	113.9	113.9	113.9	113.9	113.9	113.9	113.9
136 TOTAL FACILITY OBLIGATED	--	149.4	236.4	243.4	181.4	181.4	181.4	181.4	181.4	181.4	181.4
137 TOTAL FACILITY ALL FUNCT	--	263.3	365.3	387.3	330.3	335.3	335.3	335.3	295.3	295.3	295.3

Source: University of Wyoming, ibid.

Table A-12

SUMMARY OF PROJECTED REVENUES AND EXPENDITURES FOR PLATTE COUNTY FOR THE PERIOD FY 1976-1986 ($'000)

PLANNING ITEM	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
PLATTE COUNTY OPERATING EXPENDITURES											
80 TOTAL OPERATE OBLIGATED	533.2	696.8	766.2	965.2	1116.3	1092.6	1039.1	1095.9	1090.9	1024.0	995.2
81 TOTAL OPERATE NONOBLIGAT	78.9	144.6	162.2	234.8	250.1	240.5	230.6	223.6	220.4	210.8	210.8
82 TOTAL OPERATING COST	612.1	841.4	928.4	1200.0	1366.4	1333.1	1269.7	1319.5	1311.4	1234.7	1205.9
PLATTE COUNTY CAPITAL FACILITIES											
130 TOTAL CURRENT OBLIGATED	--	25.0	55.0	62.0	.0	.0	.0	.0	.0	.0	.0
131 TOTAL DEBT OBLIGATED	--	874.0	400.0	.0	.0	.0	.0	.0	.0	.0	.0
132 TOTAL CURRENT NONOBLIGAT	--	.0	15.0	30.0	35.0	40.0	40.0	40.0	.0	.0	.0
133 TOTAL DEBT NONOBLIGATED	400.0	800.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
134 OBLIGATED DEBT SERVICE	--	124.4	181.4	181.4	181.4	181.4	181.4	181.4	181.4	181.4	181.4
135 NONOBLIGATED DEBT SERV	--	113.9	113.9	113.9	113.9	113.9	113.9	113.9	113.9	113.9	113.9
PLATTE COUNTY REVENUE											
200 PLATTE CO TOTAL REV(CUR)	336.7	781.4	1000.4	1380.9	1694.2	1752.3	1842.5	2006.7	2070.4	2065.1	2053.8
202 PLATTE CO TOTAL REV(4PC)	444.6	908.6	1139.0	1560.6	1894.5	1840.8	1921.3	2048.4	2149.1	2134.3	2123.0
204 PLATTE CO TOTAL REV(MAX)	444.6	967.7	1214.4	1691.9	2098.3	2094.4	2196.6	2379.2	2478.9	2470.1	2456.6
REVENUE/EXPENDITURE GAP											
221 REV GAP OBLIGATED (ONLY)	.0	-64.8	-2.2	172.3	396.5	478.3	622.0	729.4	798.1	957.8	877.3
222 REV GAP ALL FUNCTIONS	.0	-137.0	-79.3	104.6	401.6	426.1	591.6	744.4	872.3	940.1	955.4
223 REV GAP OBLIGATED(4PC)	.0	52.4	136.4	352.0	596.8	566.8	700.8	811.1	876.8	929.0	945.5
224 REV GAP(LESS $400M ROAD)	.0	-80.0	-22.3	161.5	459.5	483.1	648.5	901.4	929.2	997.0	1012.3

Source: University of Wyoming, ibid.

Table A-13

CAMPBELL COUNTY INFRASTRUCTURE STUDY

SUMMARY REPORT GILLETTE REVENUES AND EXPENDITURES SUMMARY
PLAN NAME MEAN

PLANNING ITEM		1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
216 TOTAL OPERATING EXPEN	($M)	2514.0	3063.7	3491.1	3843.9	4401.2	4739.8	4857.1	4940.7	4999.0	5040.4	5070.3
272 GILLETTE CAPITAL EXP	($M)	--	5009.7	8435.0	11262.3	15729.3	18442.7	19388.1	20062.0	20532.9	20866.7	21107.8
273 NEW FACILITY DEBT PAY	($M)	--	640.2	1078.0	1435.3	2010.2	2357.0	2477.8	2563.9	2624.1	2666.8	2697.6
274 GILLETTE TOTAL EXP	($M)	2514.0	4204.9	5412.6	6409.4	7984.3	8941.0	9273.8	9510.8	9676.4	9793.8	9878.6
270 TOTAL GILLETTE REVENUE	($M)	2604.0	3617.3	4186.0	4676.9	5386.8	5803.9	6631.7	6745.2	6824.6	6880.9	6921.5
275 GILLETTE REVENUE GAP	($M)	90.0	-587.6	-1226.5	-1732.5	-2597.5	-3137.1	-2642.1	-2765.6	-2851.8	-2912.9	-2957.1

Source: Resource Management Systems, ibid.

Table A-14

CAMPBELL COUNTY INFRASTRUCTURE STUDY

SUMMARY REPORT GILLETTE OPERATING AND FACILITIES EXPENDITURES DETAIL
PLAN NAME MEAN

PLANNING ITEM		1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
206 GENERAL GOVERNMENT	($M)	405.0	504.3	581.3	644.9	745.3	806.3	827.5	842.5	853.0	860.5	865.9
224 OFFICE FACILITY COST	($M)	--	26.4	49.1	67.9	97.5	115.5	121.7	126.2	129.3	131.5	133.1
207 LAW ENFORCEMENT	($M)	292.0	363.5	419.0	464.8	537.2	581.2	596.4	607.3	614.8	620.2	624.1
231 OFFICE FACILITY COST	($M)	--	.0	.0	.0	.0	.0	4.3	8.5	11.5	13.6	15.1
208 FIRE PROTECTION	($M)	24.0	30.0	34.5	38.3	44.3	47.9	49.2	50.0	50.7	51.1	51.4
233 CAPITAL EQUIPMENT	($M)	--	105.7	132.8	155.0	190.9	212.1	220.0	225.6	229.6	232.4	234.4
209 ROADS AND AIRPORTS	($M)	23.1	28.7	33.1	36.7	42.4	45.9	47.1	48.0	48.6	49.0	49.3
210 SANITATION	($M)	346.0	430.7	496.4	550.7	636.5	688.5	706.6	719.5	728.5	734.8	739.4
211 WATER AND SEWER	($M)	404.0	502.4	579.2	642.5	742.6	803.3	824.4	839.4	849.9	857.3	862.7
239 TREATMENT FACILITY COST	($M)	--	448.4	577.2	683.5	851.5	953.6	989.0	1014.1	1031.7	1044.2	1053.2
240 DISTRIBUTION SYSTEM COST	($M)	--	1262.6	2249.0	3063.2	4349.4	5130.9	5401.8	5594.6	5729.2	5824.7	5893.7
246 TREAT FACILITY COST	($M)	--	694.6	1023.5	1255.1	1723.9	1984.5	2074.9	2139.1	2184.0	2215.9	2238.9
247 COLLECTION SYSTEM COST	($M)	--	2121.2	3778.5	5146.5	7307.4	8620.3	9075.4	9399.3	9625.5	9785.9	9901.8
212 PARKS AND RECREATION	($M)	57.7	71.8	82.7	91.8	106.1	114.8	117.8	119.9	121.4	122.5	123.2
250 PARKS FACILITY COST	($M)	--	327.8	583.8	755.2	1129.1	1332.0	1402.3	1452.3	1487.3	1512.1	1530.0
213 CEMETARY	($M)	28.8	35.9	41.4	45.9	53.0	57.4	58.9	60.0	60.7	61.2	61.6
214 ELECTRICITY	($M)	668.0	831.5	958.4	1063.2	1228.8	1329.4	1364.3	1389.1	1406.4	1418.7	1427.6
252 ELECT DISTRIB SYS COST	($M)	--	23.1	41.1	56.0	79.5	93.8	98.8	102.3	104.7	106.5	107.7
215 EXIST BONDS AND INTEREST	($M)	265.0	265.0	265.0	265.0	265.0	265.0	265.0	265.0	265.0	265.0	265.0
216 TOTAL OPERATING EXPEN	($M)	2514.0	3063.7	3491.1	3843.9	4401.2	4739.8	4857.1	4940.7	4999.0	5040.4	5070.3

Source: Resource Management Systems, ibid.

Table A-15

CAMPBELL COUNTY INFRASTRUCTURE STUDY

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SUMMARY REPORT    GILLETTE REVENUE DETAIL
PLAN NAME    MEAN

    PLANNING ITEM                         1975    1976    1977    1978    1979    1980    1981    1982    1983    1984    1985

262 PROPERTY TAX                 ($M)     72.8   105.1   130.6   150.6   167.1   193.1   208.9   214.4   218.3   221.0   222.9
263 SALES AND USE TAX            ($M)    843.0  1138.3  1319.0  1490.7  1711.4  1815.3  2527.7  2564.9  2590.9  2609.4  2622.7
264 GASOLINE TAX                 ($M)    152.5   214.4   247.2   274.2   316.9   342.9   351.9   358.3   362.7   365.9   368.2
265 CIGARETTE TAX                ($M)     95.9   134.8   155.4   172.4   199.2   215.6   221.2   225.2   228.0   230.0   231.5
266 LICENSE, PERMITS, FINES      ($M)     69.9    98.3   113.3   125.7   145.2   157.1   161.2   164.2   166.2   167.7   168.7
267 INTEREST AND RENT            ($M)     23.1    32.5    37.4    41.5    48.0    51.9    53.3    54.3    54.9    55.4    55.8
268 WATER, SEWER, ELECTRIC       ($M)   1314.0  1848.4  2130.7  2363.7  2731.7  2955.4  3032.9  3088.1  3126.6  3153.9  3173.6
269 MISCELLANEOUS                ($M)     32.3    45.5    52.4    58.2    67.2    72.7    74.6    76.0    76.9    77.6    78.1

270  TOTAL GILLETTE REVENUE      ($M)   2604.0  3617.3  4186.0  4676.9  5386.8  5803.9  6631.7  6745.2  6824.6  6880.9  6921.5
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Source: Resource Management Systems, ibid.

Table A-16

PROJECTED REVENUES FOR WHEATLAND FOR THE PERIOD FY 1976-1986 ($'000)

PLANNING ITEM	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
194 TOTAL ASSESSED VALUE	3678.8	5874.1	6925.6	8967.1	10309.4	9931.1	8956.5	9342.5	9173.6	8333.7	9175.7
195 PROPERTY TAX(CURRENT)	--	3.7	5.9	6.9	9.0	10.3	9.9	9.0	9.3	9.2	4.3
189 TOTAL UTILITY HOOKUP REV	--	331.6	118.8	297.5	189.4	.0	.0	.0	.0	.0	.0
203 USE TAX	8.6	100.4	162.3	123.1	59.6	125.9	117.6	35.1	6.2	.0	.0
204 SALES TAX (3 PERCENT)	105.6	124.5	135.6	175.8	196.1	270.6	241.2	249.9	240.5	211.6	211.5
210 GASOLINE TAX	48.0	65.6	76.0	113.5	132.4	114.8	96.8	102.2	94.5	78.7	77.0
211 CIGARETTE TAX	32.0	43.7	50.6	75.6	88.2	76.5	64.5	68.1	64.3	52.6	52.6
212 LICENCES, FEES, FINES	43.7	59.8	69.2	103.4	120.5	104.5	89.2	93.1	87.9	71.9	71.9
213 ELECTRICAL SERVICE REV	378.0	504.0	560.0	812.0	952.0	868.0	784.0	812.0	812.0	728.0	728.0
214 WATER, SEWER, GARBAGE	177.0	242.0	280.2	418.6	488.1	423.3	357.1	376.7	356.0	291.1	291.3
215 MISCELLANEOUS REVENUE	29.6	40.5	46.9	70.0	81.7	70.8	57.7	53.1	57.6	44.7	43.7
220 WHEATLAND TOTAL REV(CUR)	822.5	1515.8	1505.4	2196.5	2317.0	2064.7	1817.1	1809.4	1733.4	1492.0	1491.5
205 SALES TAX (1 CENT ADD'L)	105.6	124.5	135.6	175.8	196.1	270.6	241.2	249.9	240.5	211.6	211.6
227 TOTAL REV(CUR+1 ADD'L)	928.1	1640.2	1641.0	2372.4	2513.0	2335.3	2060.3	2059.3	1973.0	1703.6	1703.1
196 PROPERTY TAX(MAXIMUM)	--	29.4	47.0	55.4	71.7	82.5	79.4	71.7	74.7	73.4	55.7
221 WHEATLAND TOTAL REV(MAX)	928.1	1666.0	1682.1	2420.8	2575.8	2407.5	2129.8	2122.0	2038.4	1767.8	1751.4

Source: University of Wyoming, ibid.

Table A-17

PROJECTED OPERATING EXPENDITURES FOR WHEATLAND
FPR THE PERIOD FY 1976-1986
($'000)

PLANNING ITEM	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
52 GENERAL ADMINISTRATION	120.7	165.0	191.1	285.5	332.9	288.7	243.5	257.1	242.8	198.5	198.6
53 LAW ENFORCEMENT	101.5	138.8	160.7	240.0	279.9	242.8	204.8	216.2	204.2	166.9	167.0
54 FIRE PROTECTION	10.3	14.1	16.3	24.3	28.4	24.6	20.8	21.7	20.7	16.9	16.7
55 STREETS	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
56 ELECT OPER AND MAIN	65.0	78.0	91.0	104.0	117.0	130.0	130.0	130.0	130.0	130.0	130.0
57 POWER ACQUISTION (MM KWH)	13.5	18.0	20.0	29.0	34.0	31.0	28.0	29.0	29.0	26.0	25.0
58 POWER COST PER KWH (MILS)	8.000	8.000	8.000	8.000	8.000	8.000	8.000	8.000	8.000	8.000	8.000
59 POWER ACQUISTION COST	108.0	144.0	160.0	232.0	272.0	248.0	224.0	232.0	232.0	208.0	208.0
61 SANITATION	53.5	73.2	84.7	126.5	147.6	128.0	108.0	114.0	107.6	83.0	85.1
62 WATER AND SEWER	122.6	147.1	171.6	196.0	220.5	245.0	245.0	245.0	245.0	245.0	245.0
63 PARKS AND RECREATION	43.5	59.5	68.9	102.9	120.0	104.0	87.8	92.6	87.5	71.5	71.6
64 OTHER/MISCELLANEOUS	43.5	59.5	68.9	102.9	120.0	104.0	87.9	92.6	87.5	71.5	71.5
65 TOTAL OPERATING EXPEND	768.6	979.1	1113.0	1514.2	1738.3	1615.1	1451.6	1501.4	1457.3	1276.4	1295.9

Source: University of Wyoming, ibid.

Table A-18

PROJECTED CAPITAL FACILITY EXPENDITURES FOR WHEATLAND FOR THE PERIOD FY 1976-1986

($'000)

PLANNING ITEM	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
96 OFFICE FACILITY COST	--	100.0	50.0	.0	.0	.0	.0	.0	.0	.0	.0
97 PATROL CARS	--	5.000	5.000	5.000	.000	.000	.000	.000	.000	.000	.000
106 FIRE PROTECT EQUIPMENT	--	70.0	.0	.0	.0	50.0	.0	.0	.0	.0	.0
108 WATER	--	433.0	433.0	.0	.0	.0	.0	.0	.0	.0	.0
109 SEWER	--	170.0	170.0	.0	.0	.0	.0	.0	.0	.0	.0
110 ELECTRICITY	115.0	868.0	668.0	.0	.0	.0	.0	.0	.0	.0	.0
111 SANITARY LAND FILL	--	22.0	22.0	22.0	.0	.0	.0	.0	.0	.0	.0
120 TOTAL CURRENT FACILITIES	--	127.0	77.0	27.0	.0	.0	.0	.0	.0	.0	.0
121 TOTAL DEBT SERV FACILITY	115.0	1541.0	1271.0	.0	.0	50.0	.0	.0	.0	.0	.0
122 DEBT SERVICE	--	220.9	403.2	403.2	403.2	410.4	410.4	410.4	410.4	410.4	410.4
123 TOTAL FACILITY EXPEND	--	347.9	480.2	430.2	403.2	410.4	410.4	410.4	410.4	410.4	410.4

Source: University of Wyoming, ibid.

Table A-19

SUMMARY OF PROJECTED REVENUES AND EXPENDITURES FOR WHEATLAND

FOR THE PERIOD FY 1976-1986
($'000).

PLANNING ITEM	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
65 TOTAL OPERATING EXPEND	768.6	979.1	1113.0	1514.2	1738.3	1615.1	1451.6	1501.4	1457.3	1296.4	1295.9
224 ACCUM OPERATING EXPENSE	--	979.1	2092.1	3606.3	5344.6	5959.6	8411.2	9912.6	11367.9	12666.3	13953.2
124 TOTAL FACILITY COST	115.0	1668.0	1348.0	27.0	.0	50.0	.0	.0	.0	.0	.0
225 ACCUM CAPITAL COSTS	--	1668.0	3016.0	3043.0	3043.0	3093.0	3093.0	3093.0	3093.0	3093.0	3093.0
121 TOTAL DEBT SERV FACILITY	115.0	1541.0	1271.0	.0	.0	50.0	.0	.0	.0	.0	.0
226 ACCUM DEBT SER + CUR CAP	--	347.9	828.1	1258.3	1661.5	2071.9	2482.2	2892.6	3302.9	3713.3	4123.5
220 WHEATLAND TOTAL REV(CUR)	822.5	1515.8	1505.4	2196.5	2317.0	2064.7	1819.1	1809.4	1732.4	1492.0	1491.5
222 ACCUM REVENUE(CURRENT)	--	1515.8	3021.2	5217.7	7534.6	9599.3	11418.4	13227.8	14960.3	16452.2	17943.7
221 WHEATLAND TOTAL REV(MAX)	928.1	1666.0	1682.1	2420.8	2575.8	2407.5	2129.8	2122.0	2038.4	1767.8	1761.4
223 ACCUM REVENUE(MAXIMUM)	--	1666.0	3348.1	5769.0	8344.8	10752.2	12882.0	15004.0	17042.4	18810.2	20571.7
238 OPERATE REV GAP(CURRENT)	53.9	536.7	392.4	582.3	578.7	449.6	367.5	308.0	275.2	195.6	194.6
243 ACCUM OPER REV GAP(CURR)	--	536.7	929.0	1611.4	2190.1	2639.7	3007.2	3315.2	3590.4	3785.7	3980.6
239 OPERATE REV GAP(MAXIMUM)	159.5	686.9	569.1	906.7	837.5	792.4	678.2	620.6	581.1	471.4	464.6
244 ACCUM OPER REV GAP(MAX)	--	686.9	1256.0	2162.7	3000.2	3792.6	4470.8	5091.4	5672.5	6143.9	6606.5
241 REVENUE GAP (CURRENT)	53.9	188.7	-87.8	252.2	175.5	39.2	-42.8	-102.4	-135.2	-214.8	-215.7
245 ACCUM REVENUE GAP(CURR)	--	188.7	100.9	353.1	528.6	567.8	525.0	422.6	287.5	72.7	-143.0
247 REV GAP (CUR+1 ADD'L)	159.5	313.2	47.8	428.0	371.6	309.8	198.4	147.6	105.4	-3.2	-4.1
248 ACCUM REV GAP(CUR+1 ADD)	--	313.2	361.0	789.0	1160.6	1470.4	1668.8	1816.3	1921.7	1918.5	1914.4
242 REVENUE GAP (MAXIMUM)	159.5	338.9	88.9	476.5	434.3	382.0	267.9	210.3	170.8	61.0	54.2
246 ACCUM REVENUE GAP(MAX)	--	338.9	427.9	904.3	1338.7	1720.7	1988.6	2198.8	2369.6	2430.7	2484.9

Source: University of Wyoming, ibid.

Table A-20

SCHOOL DISTRICT TAXABLE VALUATIONS

1974-75

County	S.D. #	Mineral Valuation	Valuation Other Than Minerals	Total Valuation Of District	Mineral Valuation As A % Of Total
ALBANY	1	$ 1,784,312	$ 62,924,246	$ 64,708,558	2.8%
BIG HORN	1	$24,597,720	$ 5,753,140	$ 30,350,860	81.0%
	2	13,759,317	7,956,707	21,716,024	63.4
	3	11,028,540	7,351,379	18,379,919	60.0
	4	3,490,249	5,616,104	9,106,353	38.3
TOTAL		$ 52,875,826	$ 26,677,330	$ 79,553,156	66.5%
CAMPBELL	1	$241,758,637	$ 62,981,083	$ 304,739,720	79.3%
CARBON	1	$ 44,662,688	$ 36,037,812	$ 80,700,500	55.3%
	2	48,902,929	33,142,542	82,045,471	59.6
TOTAL		$ 93,565,617	$ 69,180,354	$ 162,745,971	57.5%
CONVERSE	1	$106,698,871	$ 46,535,072	$ 153,233,943	69.6%
	2	16,757,507	21,510,797	38,268,304	43.8
TOTAL		$123,456,378	$ 68,045,869	$ 191,502,247	64.5%
CROOK	1	$24,456,520	$ 21,943,554	$ 46,400,074	52.7%
FREMONT	1	$23,690,189	$ 26,260,298	$ 49,950,487	47.4%
	2	3,280,915	3,817,150	7,098,065	46.2
	6	9,075,147	4,006,409	13,081,556	69.4
	9	4,204,646	5,259,257	9,463,903	44.4
	14	2,552,681	1,001,762	3,554,443	71.8
	21	11,141,579	770,937	11,912,516	93.5
	24	1,155,487	6,714,142	7,869,629	14.7
	25	15,520,116	25,388,024	40,908,140	37.9
	27	0	689,791	689,791	0.0
	38	0	757,984	757,984	0.0
TOTAL		$70,620,760	$ 74,665,754	$145,286,514	48.6%
GOSHEN	1	$ 121,751	$ 36,673,483	$ 36,795,234	0.3%
(To Platte Co. #1)	4	0	530,373	530,373	0.0
(To Platte Co. #2)	12D	0	76,396	76,396	0.0
(To Niobrara Co.)	6	0	344,787	344,787	0.0
TOTAL		$ 121,751	$ 37,625,039	$ 37,746,790	0.3%

Source: Wyoming Legislative Science Office

County	S.D. #	Mineral Valuation	Valuation Other Than Minerals	Total Valuation Of District	Valuation As A % Of Total
HOT SPRINGS	1	$ 57,776,953	$ 16,356,518	$ 74,133,471	77.9%
JOHNSON	1	$ 26,548,289	$ 28,205,527	$ 54,753,816	48.5%
LARAMIE	1	$ 2,625,457	$ 126,454,722	$129,080,179	2.0%
	2	670,670	17,678,139	18,348,809	3.7
TOTAL		$ 3,296,127	$ 144,132,861	$147,428,988	2.2%
LINCOLN	1	$ 18,350,167	$ 18,274,912	$ 37,125,079	50.8%
	2	1,241,747	45,886,164	47,127,911	2.6
(To Sublette Co. #9)	9	4,169,383	2,166,495	6,335,878	65.8
TOTAL		$ 24,261,297	$ 66,327,571	$ 90,588,868	26.8%
NATRONA	1	$ 73,911,136	$ 133,814,027	$207,725,163	35.6%
NIOBRARA	1	$ 6,127,824	$ 16,423,225	$ 22,551,049	27.2%
PARK	1	$ 42,680,456	$ 20,418,830	$ 63,099,286	67.6%
	6	63,826,869	25,904,641	89,731,510	71.1
	16	32,713,806	4,205,031	36,918,837	88.6
(To Big Horn Co. #1)	30	779,502	578,613	1,358,115	57.4
(To Big Horn Co. #2)	31	8,510,979	85,480	8,596,459	99.0
(To Big Horn Co. #4)	32	20,302,342	117,756	20,420,098	99.4
TOTAL		$168,813,954	$ 51,310,351	$220,124,305	76.7%
PLATTE	1	$ 172,950	$ 23,380,689	$ 23,553,639	0.7%
(To Goshen Co.)	1PG	0	130,575	130,575	0.0
	2	2,985,794	4,684,692	7,670,486	38.9
TOTAL		$ 3,158,744	$ 28,195,956	$31,354,700	10.1%
SHERIDAN	1	$ 961,008	$ 8,639,515	$ 9,600,523	10.0%
	2	4,826,293	35,509,292	40,335,585	12.0
	3	35,464	4,286,121	4,321,585	0.8
TOTAL		$ 5,822,765	$ 48,434,928	$ 54,257,693	10.7%
SUBLETTE	1	$16,825,202	$ 11,501,332	$ 28,326,534	59.4%
	9	26,040,023	7,856,283	33,896,306	76.8
TOTAL		$42,865,225	$ 19,357,615	$ 62,222,840	68.9%

Table A-20 (continued)-Pg. 3

County	S.D. #	Mineral Valuation	Valuation Other Than Minerals	Total Valuation Of District	Mineral Valuation As A % Of Total
SWEETWATER	1	$81,233,094	$ 148,856,233	$230,089,327	35.3%
(To Carbon Co. #1)	1C	13,826,736	495,097	14,321,833	96.5%
	2	45,809,435	62,143,707	107,953,142	42.4
TOTAL		$140,869,265	$ 211,495,037	$352,364,302	40.0%
TETON	1	$ 174,302	$ 28,888,293	$ 29,062,595	0.6%
UINTA	1	$ 53,473	$ 15,261,105	$ 15,314,578	0.3%
	4	45,163	6,865,115	6,910,278	0.7
	6	1,168,531	5,765,832	6,934,363	16.9
TOTAL		$ 1,267,167	$ 27,892,052	$ 29,159,219	4.3%
WASHAKIE	1	$ 6,662,457	$ 20,269,864	$ 26,932,321	24.7%
	2	5,189,989	1,711,934	6,901,923	75.2
TOTAL	4	$ 11,852,446	$ 21,981,798	$ 33,834,244	35.0%
WESTON	1	$ 16,266,907	$ 17,938,401	$ 34,205,308	47.6%
	7	7,274,094	5,658,797	12,932,891	56.2
TOTAL		$ 23,541,001	$ 23,597,198	$ 47,138,199	49.9%
GRAND TOTALS		$1,198,926,296	$1,290,456,186	$2,489,382,482	48.2%

Table A-21

CAMPBELL COUNTY INFRASTRUCTURE STUDY

SUMMARY REPORT POPULATION/EMPLOYMENT
PLAN NAME MEAN

PLANNING ITEM	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
5 CAMPBELL COUNTY BASE POP	14000.0	14000.0	14000.0	14000.0	14000.0	14000.0	14000.0	14000.0	14000.0	14000.0	14000.0
7 GILLETTE BASE POP	9500.0	9500.0	9500.0	9500.0	9500.0	9500.0	9500.0	9500.0	9500.0	9500.0	9500.0
50 TOTAL DIRECT EMPLOYMENT	330.0	1051.0	1759.0	2113.0	2727.0	2760.0	2760.0	2767.0	2774.0	2781.0	2788.0
52 TOTAL DIRECT POPULATION	890.0	2315.0	4062.4	5141.8	6974.4	7459.5	7459.5	7478.4	7497.3	7516.2	7535.1
54 INDIRECT EMPLOYMENT	250.0	258.9	430.3	655.2	1012.6	1374.2	1618.5	1785.3	1899.8	1978.9	2034.1
55 INDIRECT POPULATION	675.0	699.7	1162.9	1773.5	2736.8	3714.0	4374.3	4825.2	5134.6	5348.4	5497.6
60 TOTAL CAMPBELL COUNTY POP	14000.0	17014.7	19225.3	20914.2	23711.2	25173.5	25833.8	26303.6	26631.9	26864.6	27032.7
61 TOTAL GILLETTE POPULATION	9500.0	11808.2	13611.5	15100.1	17451.4	18880.1	19375.3	19727.7	19973.9	20148.4	20274.5

Table A-22

CAMPBELL COUNTY INFRASTRUCTURE STUDY

SUMMARY REPORT SCHOOL POPULATION PAGE 27
PLAN NAME MEAN

PLANNING ITEM		1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
CAMPBELL CO SCHOOL POP												
71 K THRU 6	(ADM)	1705.0	2452.1	2770.7	3014.1	3417.2	3627.9	3723.1	3790.8	3838.1	3871.7	3895.9
72 7 THRU 9	(ADM)	800.0	1101.0	1244.0	1353.3	1534.3	1628.9	1671.6	1702.0	1723.2	1738.3	1749.2
73 10 THRU 12	(ADM)	681.0	950.8	1074.4	1168.7	1325.0	1406.8	1443.7	1469.9	1488.3	1501.3	1510.6
74 TOTAL SCHOOL POPULATION		3157.0	4503.9	5089.0	5536.1	6276.5	6663.6	6838.4	6962.7	7049.6	7111.2	7155.7

Source: Resource Management Systems, ibid.

Table A-23

CAMPBELL COUNTY INFRASTRUCTURE STUDY

SUMMARY REPORT EDUCATION BUDGET
PLAN NAME MEAN

PLANNING ITEM		1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
CAMPBELL CO EDUCATION BUDGET												
93 OPERATING EXPENSE	($M)	6314.0	9007.8	10178.1	11072.2	12553.0	13327.1	13676.7	13925.4	14099.2	14222.4	14311.4
91 TOTAL SCHOOL FACILITY	($M)	--	2884.8	3357.1	5271.0	8307.7	9921.5	10650.3	11168.7	11531.0	11787.8	11973.3
94 EXIST FACILITY DEBT SERV	($M)	835.0	835.0	835.0	835.0	835.0	835.0	835.0	835.0	835.0	835.0	835.0
95 NEW FACILITY DEBT SERV	($M)	--	409.6	476.7	741.4	1179.7	1408.9	1512.3	1586.0	1637.4	1673.9	1700.2
96 TOTAL EDUC EXPEND	($MM)	7.1	10.3	11.5	12.6	14.6	15.6	16.0	16.3	16.6	16.7	16.8
102 TOTAL CURRENT REVENUE	($MM)	7.7	10.6	13.1	16.7	21.3	24.6	25.7	25.7	25.8	25.8	25.9
104 CURRENT EDUCATION GAP	($MM)	.575	.382	1.654	4.094	6.700	8.994	9.651	9.400	9.225	9.101	9.011
103 TOTAL MAX AVAIL REVENUE	($MM)	8.0	15.9	20.8	28.4	39.2	47.9	51.0	51.2	51.3	51.4	51.4
105 MAX AVAIL EDUCATION GAP	($MM)	.9	5.7	9.3	15.8	24.6	32.3	35.0	34.8	34.7	34.7	34.6

Source: Resource Management Systems, ibid.

Table A-24

PROJECTED REVENUES AND EXPENDITURES FOR PLATTE COUNTY SCHOOL DISTRICT ONE FOR THE PERIOD FY 1976-1986

($'000)

PLANNING ITEM	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
82 TOTAL DISTRICT 1 SCHOOL POP	1381.0	1665.1	1846.0	2680.6	3057.1	2813.7	2531.1	2625.4	2557.6	2279.2	2293.3
141 OPERATING EXPENSE	2170.9	2617.5	2901.9	4213.9	4805.8	4423.2	3978.9	4127.1	4020.5	3584.0	3605.1
142 EXIST FACILITY DEBT SERV	145.0	145.0	145.0	145.0	145.0	145.0	145.0	145.0	145.0	145.0	145.0
145 TOTAL DIST 1 EXPEND	2315.9	2762.5	3046.9	4358.9	4950.8	4568.2	4123.9	4272.1	4165.5	3729.0	3750.1
132 BONDING CAPACITY	--	787.9	1645.2	4216.3	7600.3	10073.4	11232.6	13096.9	13854.6	14508.5	14474.3
133 ADD'L FACILITY DEBT	--	3525.0	3439.0	3347.0	3242.0	3129.0	3008.0	2879.0	2741.0	2594.0	2435.0
143 NEW FACILITY DEBT SERV	332.7	332.7	332.7	332.7	332.7	332.7	332.7	332.7	332.7	332.7	332.7
185 DIST 1 TOTAL ASSES VALUE($M)	23079.0	31052.0	56163.2	89352.5	113384.0	124225.6	142118.8	151596.1	154584.6	153592.9	153327.6
207 12 MIL REVENUE	--	273.9	364.1	653.1	1057.3	1284.3	1361.1	1551.7	1674.3	1693.0	1672.6
208 10 MIL REVENUE	--	230.8	310.5	561.6	893.5	1133.8	1242.3	1421.2	1516.0	1545.8	1535.9
209 GENERAL COUNTY TAX	--	37.4	49.8	89.3	144.5	175.5	186.0	212.1	228.8	230.0	228.6
210 FIXED INCOME PROGRAM	152.7	152.7	152.7	152.7	152.7	152.7	152.7	152.7	152.7	152.7	152.7
211 PER CAPITA PROG INCOME	107.2	128.0	139.7	185.2	207.4	184.2	160.5	155.2	157.4	134.1	132.7
215 FOUNDATION PROG INCOME	--	1043.3	1040.8	1374.4	954.8	164.5	.0	.0	.0	.0	.0
216 SUPPLEMENTAL AID	--	74.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
217 15 MIL REVENUE	--	346.2	465.8	842.4	1340.3	1700.8	1863.4	2131.8	2273.9	2318.8	2303.9
218 18 MIL REVENUE	--	415.4	558.9	1010.9	1608.3	2040.9	2236.1	2558.1	2728.7	2782.5	2764.7
219 EXIST FACILITY DEBT REV	145.0	145.0	145.0	145.0	145.0	145.0	145.0	145.0	145.0	145.0	145.0
225 DIST 1 TOTAL REV(CURR'T)	297.7	2431.3	2668.3	4003.8	4895.6	4940.9	5111.0	5780.4	5148.2	6209.4	6171.4
226 DIST 1 TOTAL REV(MAXI'M)	297.7	2500.5	2761.5	4172.3	5163.6	5281.1	5483.6	5206.8	6603.0	6673.2	6632.2
261 DIST 1 REV GAP (CURRENT)	.0	-331.2	-378.6	-355.1	-55.2	372.7	987.1	1508.3	1982.6	2480.4	2421.3
263 ACCUM DIS 1 REV GAP(CUR)	.0	-331.2	-709.8	-1064.9	-1120.1	-747.4	239.7	1748.0	3730.7	6211.1	8632.4
262 DIST 1 REV GAP (MAXIMUM)	.0	-262.0	-285.4	-186.6	212.9	712.9	1359.8	1734.7	2437.4	2944.2	2882.1

Source: University of Wyoming, ibid.

Section Eight: Arizona

STRATEGIES FOR ALLEVIATION OF SOCIOECONOMIC IMPACTS IN ARIZONA NAVAJO INDIAN COMMUNITIES

By Nancy Carlisle, Environmental Planner
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Western Governors' Regional Energy Policy Office

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CHAPTER I

THE SETTING: MINERAL FUELS PRODUCTION IS LARGELY ON INDIAN LANDS

Personal income in Arizona has risen to $11.9 billion in 1975 from $6.6 billion in 1970. This 81.3 percent increase outstripped the 74.8 percent increase during the previous five-year period. While wage and salary income from mining rose faster in percentage terms than income from either manufacturing or farming, the amount of increase generated in 1975 from mining is $373 million, compared with $1,310 million from manufacturing and $307 million from agriculture.

Total employment in 1976 was 804,100. Among basic industries, employment was: manufacturing, 99,900; farming, 23,000; and mining, 23,600. Copper mining accounted for 21,600 of the 23,600 mining jobs.

The personal income in Arizona for select years was as follows:

Table 1

PERSONAL INCOME IN ARIZONA
1965, 1970, and 1975

(in millions)

	1965	1970	1975
Total Resident Income	$3,758	$6,568	$11,908
Farming	194	251	307
Manufacturing	463	842	1,310
Mining	144	236	373

Source: U.S. Department of Commerce

MINERAL PRODUCTION

Arizona's mineral production has grown from $981 million in 1971 to $1,261 million in 1975. This 28.6 percent increase was spearheaded by a rise in copper production from $853 million to $1,044 million during the four-year period. The state is nation's leader in copper mining, with Arizona production constituting 57½ percent of total United States production. Mineral production by type of mineral is shown in Table 2. Coal production is included in the "all other" category and has climbed 67 percent since 1971.

ENERGY SOURCES IN ARIZONA

The state is on the threshold of developing so-called exotic sources of energy. Most promising are solar techniques and geothermal resources. Known deposits of crude oil, natural gas, and uranium are small and not very promising.

Arizona's chief resources of energy are coal and hydroelectric power. There are 13 hydroelectric generating plants, with a total capacity of 841 megawatts. It has been estimated that about 13 more units are feasible, with a total capacity of over 6,103 megawatts.

A study by the U.S. Geological Survey has identified 21 thermo-spring areas, and the Department of Interior has classified 88,160 acres as "known geothermal resource areas."

Total coal deposits in the state vary between an estimated 4 and 21 billion tons. About 1 billion tons are estimated to be subject to surface mining. The largest deposit is the Black Mesa field, covering 3,200 square miles on the Navajo and Hopi Indian reservations in the northwest. Peabody Coal Company leases a block of 14,000

Table 2
MINERAL PRODUCTION IN ARIZONA

Mineral	1971				
Copper	$852,978	$930,419	$1,103,453	$1,327,678	$1,044,1
Molybdenum	39,872	46,791	59,372	57,067	58,2
Silver	9,538	11,210	18,416	29,935	26,7
Sand & Gravel	24,391	32,420	38,503	41,906	29,8
Stone	5,848	8,018	9,469	11,479	12,4
Lime	4,474	6,024	7,019	9,071	10,1
Petroleum	3,918	3,226	3,103	3,885	3,4
Gold	3,879	6,036	10,060	14,470	13,3
Zinc	2,499	3,589	3,482	6,964	6,8
Pumice	625	722	715	865	8
All Other	32,998	42,549	51,396	58,914	55,3
TOTAL	$981,020	1,091,004	1,304,988	1,562,234	1,261,41

Note: 1975 figures are preliminary.
Source: U.S. Department of Interior, Bureau of Mines

acres, with an estimated reserve of 340 to 400 million tons. Two surface mines, Black Mesa and Kayenta, have a current production of 7½ million tons of bituminous coal and account for the entire coal output in the state.

Black Mesa coal is shipped by slurry pipeline to the Mohave electric power plant at Bullhead City, Nevada. The Kayenta production is shipped by rail to the Navajo power plant near Page, Arizona. The current production of each mine is about 3½ million tons a year.

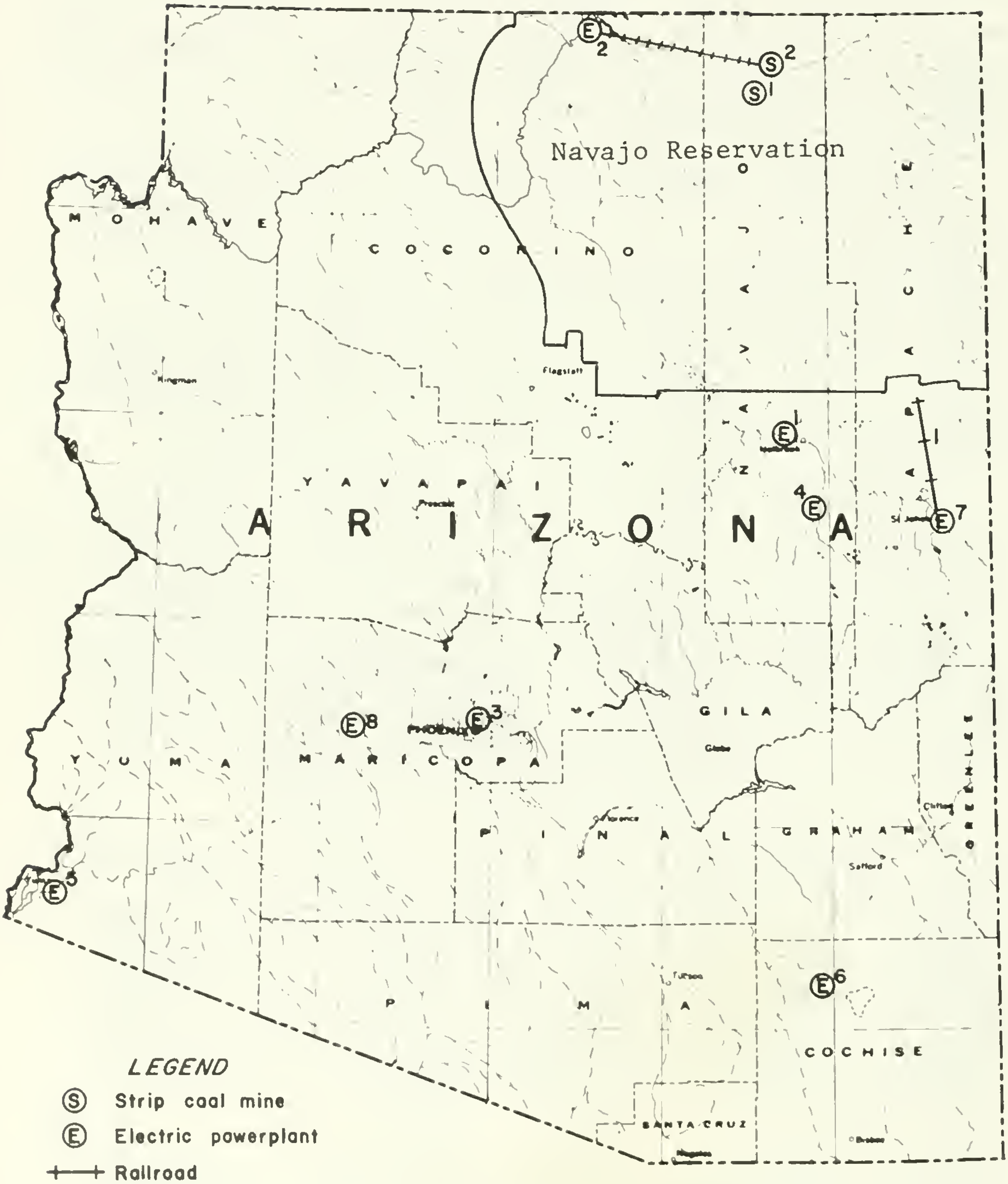
The future fuels-related projects at Arizona are shown in Figure 1. These projections of mine expansions and additional power plants over the next ten years are based on industry surveys sponsored by the U.S. Bureau of Mines, as published in Information Circular #8719, May, 1976. The expectations are that there will be six power plant expansions or new facilities during the next ten years. All but two of the facilities will be additions to existing plants, with the exceptions being the Coronado power plant, near St. Johns in Apache County, and the proposed Palo Verde nuclear power plant, near Phoenix.

Because of the type and limited amount of energy developments in Arizona, the state does not expect to experience socioeconomic impacts which might create undue strain on state and local financial capacities. The problems which arise on Indian reservations due to accelerated energy production do present issues regarding the provision of adequate public services. Unique problems and strategies for alleviation of community impacts arise in the case of developments on reservation lands. The reservations are not subdivisions of the state government and indeed are sovereign nations in many respects.

The federal government has a decided and unique role in providing services to the Indians living on reservations. In addition, the state provides some minimal services and a portion of the educational facilities and services on the reservations. The problems of providing adequate public services are complicated by the less developed nature of the reservation economy, the preemption of tax sources by the state, the poverty level of Indians living on reservations, and an historical deficiency of infrastructure, such as sewer, water, roads, and highways.

Figure 1

FUTURE FUELS-RELATED PROJECTS IN ARIZONA



Source: U.S. Department of the Interior. *Projects to Expand Fuel Sources in Western States.* Bureau of Mines Information Circular 8719. May, 1976.

CHAPTER II

ARIZONA STATE AND LOCAL FINANCES

The intent of this chapter is to provide an overview of Arizona state and local sources of revenue and expenditures.

State and local governments in Arizona received $2,288.7 million in general revenues in 1974-75. The statistics which are the most recently released by the U.S. Bureau of Census show that the percentage of revenues by levels of government were: federal, 18.5 percent; state, 48.7 percent; and local, 32.8 percent. For all fifty states, the shares of state and local general revenues were: federal, 21 percent; state, 42 percent; and local, 37 percent. The smaller share of federal revenues for Arizona reflects the fact that there is little mineral extraction on federal lands and hence a small amount of mineral lease receipts. The federal monies which are distributed to the Indians on reservations are not reflected in the state revenue accounts.

STATE EXPENDITURES

State general spending was $1,459.7 million in 1974-75. Direct expenditures, excluding $644.4 million in governmental transfers, were $815.3 million. The state directed the major portion of spending for two categories: highways, $173.5 million and education, $285.8 million.

Other state spending was for the following purposes: natural resources, $34.7 million; welfare, $83.7 million; health and hospitals, $74.4 million; financial administration, $24.6 million; employment security, $12.5 million; general control, $14.1 million; police, $27.8 million; and corrections, $18.3 million.

These expenditures do not include state aid for education and other transfer payments which were distributed as follows: schools, $451.1 million; counties, $100.2 million; municipalities, $89.1 million; and unallocable, $4 million.

STATE REVENUES

The revenues received by state and local government in Arizona, after taking account of intergovernmental transfers, were $817.6 million, or 35.9 percent, for state government and $1,458.7 million, or 64.1 percent, for local government. The state receives revenues from a variety of sources. These sources include tax revenues, federal aid and revenue sharing, royalty income from state and federal lands, and interest income from investments.

TOTAL STATE GENERAL REVENUES

Arizona state government received a total of $1,419 million in general revenues in fiscal year 1974-75. The sources were: intergovernmental revenue, $309.4 million; tax revenues, $938.4 million; charges, $116.3 million; and miscellaneous, $54.9 million.

Intergovernmental revenues were received from the federal government, $302.9 million, and from local government, $6.5 million. The federal government revenues were public welfare, $35.2 million; highways, $90.4 million; health and hospitals, $12.3 million; natural resources, $5.3 million; general revenue sharing, $20.9 million; education, $89.2 million; employment security, $19.5 million; and all other, $29.8 million.

Revenues from charges were for education, $79.0 million; hospitals, $19.5 million; natural resources, $3.3 million; state power systems, $5.5 million; highways, $0.5 million; and other charges, $8.5 million. Miscellaneous general revenues were derived from rents and royalties, $8.6 million; interest earnings, $25.5 million; donations, $13.5 million; and all other, $7.4 million.

TAX REVENUES

Arizona state tax collections were $938.4 million in 1974-75. Major tax sources were: gross receipts taxes, $397.4 million; individual income tax, $157.5 million; corporate income tax, $49.6 million; motor fuels, $101.6 million; motor vehicle registration fees, $32.5 million; tobacco excises, $34.2 million; insurance premium taxes, $15.6 million; alcoholic beverages, $15.9 million; hunting and fishing licenses, $4.1 million; public utilities, $8.3 million; race track wagering, $6.6 million; motor vehicle operators, $4.1 million; and property taxes, $97.2 million.

Individual income taxes are levied on the federal taxable income base with minor adjustments. The rates on taxable income vary from 2 percent on the first $1,000 of income to 8 percent on income in excess of $6,000. There are property tax credits of varying amounts, particularly for residents 65 years of age or older. The net revenues are distributed 15 percent to incorporated cities and towns in proportion to population and the remainder into the state general fund.

Corporate income taxes are imposed on the federal tax base. The rates are 2½ percent on the first $1,000 of taxable income, with a graduation in rates to 10½ percent on taxable income in excess of $6,000. The distribution of revenues is the same as the individual income tax.

The sales tax in Arizona is levied in three different forms. A transaction privilege tax is levied on the gross proceeds of sales at a rate varying from ¼ of 1 percent to 2 percent, depending on the type of business. The rate is 1 percent of the gross proceeds of mining and 2 percent in the case of most businesses selling tangible personal property at retail. The distribution of the transactions taxes, which total $170 million in fiscal 1974, is 41.4 percent to the state general fund, 33.6 percent to the 14 counties in the state, and 25 percent to the municipalities. A special excise tax for education is levied on the gross proceeds of sales from business at rates varying from 1 percent, in the case of mining and producing oil, natural gas, etc., and 1 percent on other businesses, including services such as electricity and telephone proceeds. The revenues which total $42 million in 1974-74 are paid into the state general fund. An additional education excise tax is imposed at a rate of ½ of 1 percent on the gross proceeds of business, with a rate of 1 percent imposed on mining and timber and forest products and a 2 percent tax on other businesses. The tax revenues, which were $88.6 million in fiscal 1974, are paid into a fund for support of public education.

Motor vehicle license taxes are based on the retail price of the motor vehicle, with an amount of tax, depending upon the age. For example, a vehicle with an original price between $4,000 and $5,000 would pay a tax of $83 through the third year and $35 for the fourth through the sixth years. The revenues are distributed in proportion to the state and local property taxes. The local units received $26.3 million in fiscal 1974, and the state received $8.8 million.

Motor vehicle fuel taxes are imposed at a rate of 8 cents a gallon, and the tax is distributed as follows: 11 percent to the highway patrol, 57 percent to the state highway fund, 15 percent to counties, and 17 percent to incorporated towns and cities.

Alcoholic beverage taxes are levied at 15 cents for each pint of malt extracts, $2.50 per gallon of spirituous liquor, and 12½ cents for each 8 ounces of wines in excess of 24 percent and 5¼ percent on each 16 ounces of wines with a content of less than 24 percent alcohol. The revenues are distributed for providing unemployment compensation, welfare relief, and other purposes. Three-and-a-half cents on each gallon of liquor and each 8 ounces of wine, with the higher alcoholic content, are allocated for raising funds for the Central Arizona Project and the state school fund.

The tobacco taxes are levied at 13 cents on each package of cigarettes, one cent on each ounce of smoking tobacco, and one cent on cigars. The taxes are deposited into the state general fund.

Insurance premium taxes are imposed at one percent on net premiums of domestic carriers and two percent on net premiums of foreign carriers and domestic insurors who do not have an Arizona home office. The revenues, which were $16.4 million in fiscal 1974, are distributed to the state general fund, with the exception that fire insurance premiums are distributed to the firemen's relief and pension funds.

General property taxes are imposed by the state government and local units of government on the taxable values of real estate and personal property. The state property tax rate in 1976 was $16 per $1,000 of taxable valuation, which was to bring in $99.2 million out of a total property tax of $704.5 million. The aggregate of other property taxes levied was: county, $168.3 million; school districts, $331.1 million; municipalities, $49.3 million; community colleges, $42.5 million; special districts, $12.6 million; and unorganized territory, $1.4 million. The unorganized territory levy is $13 per $1,000 of valuation on property not located in a school district; such revenues are dedicated for the state school fund to aid local schools.

The assessed values for property tax purposes are established in the statutes at a percent of full cash value. The classified property tax system of Arizona sets forth five classes of property, with the percent of assessment ranging from 60 percent for Class I property, namely timber, airline flight property, and property owned by private car companies and mines, to Class V property, which is assessed at 15 percent of full cash value and consists of all real and personal property used for residential purposes. Industrial and commercial properties are assessed at 25 percent of cash value, and agricultural property is assessed at 18 percent of cash value. The computed average tax rate, which is applied to airline, private car, and auto in-lieu tax assessments, was $113.60 per $1,000 of assessed valuation in 1976. (The auto in-lieu tax is limited to not more than $40 per $1,000 of assessed valuation by state law.)

AIDS TO LOCAL GOVERNMENTS

The State of Arizona provides a substantial amount of financial assistance to local governments. Local aids totaled $644 million in 1974-75 or 44.1 percent of total state general expenditures.

Among the ten WGREPO states, Arizona exceeded all of the states in the proportion of state assistance to local governments.

Intergovernmental revenue from state and federal sources for local government purposes was $720 million in 1974-75. The distributions were: school districts, $446.8 million; municipalities, $159.9 million; counties, $130.8 million, and special districts, $0.3 million.

STATE DEBTS AND SECURITY HOLDINGS

Total state debt was $87.4 million at year-end 1974-75. The entire debt is long-term guaranteed debt with institutions of higher education accounting for $80.5 million, mostly for college dormitories and other revenue-producing ventures.

Cash and security holdings for other than insurance trust funds were $365.0 million. Cash and deposits totaled $246.2 million, and securities were $118.9 million at year-end 1974-75. Security investments were: federal government, $32.1 million and other, $86.8 million.

COMMENTS

The State of Arizona has a balanced tax system with a reliance on sales taxes, individual income taxes, corporate income taxes, and various excise taxes, licenses, and fees. As part and parcel of the state financial and expenditure system, there is an extensive grant-in-aid program to assist counties, towns and cities, and school districts. The state aid program serves to alleviate the shocks from rapid developments caused by industrial expansions, either energy-related or non-energy-related.

There is no severance tax on mineral development at the present time. There is, however, a series of sales taxes which is imposed on the gross proceeds of mining as well as other businesses. The tax on mining proceeds is 3 percent of the gross value of production. In addition, it should be pointed out that the assessed valuations of property for tax purposes, which are levied at the local level of government, require an assessment of 60 percent of value for mining property, while the assessed valuation is 15 percent of full cash value for residences and 25 percent for industrial and commercial property.

CHAPTER III

THE NAVAJO NATION AND IMPACT ALLEVIATION

This chapter will concentrate on the impacts associated with energy developments on the Navajo reservation. Energy mineral development on the Navajo reservation occurs in New Mexico and Utah as well as in Arizona, although the issue of Navajo energy development is primarily addressed in this section of this report. This was done because most of the projected energy development in Arizona will occur on or near the reservation, whereas in New Mexico and Utah most of the energy development is projected to occur off the reservation, although the magnitude of Navajo energy development is greater in New Mexico than in Arizona. The issues raised regarding reservation energy development are relevant to all states in which Indian reservations containing mineral resources are located.

The intent of this chapter is not to portray an exhaustive analysis of Navajo problems and concerns but rather to provide an overview of some of the problems incurred by the Navajo in developing the mineral resources on their reservation and a set of alternative fiscal strategies to mitigate negative impacts associated with energy development. Besides the economic, financial, and educational structures discussed in this chapter, many other legal, social, and cultural factors are at play and deserve further consideration.

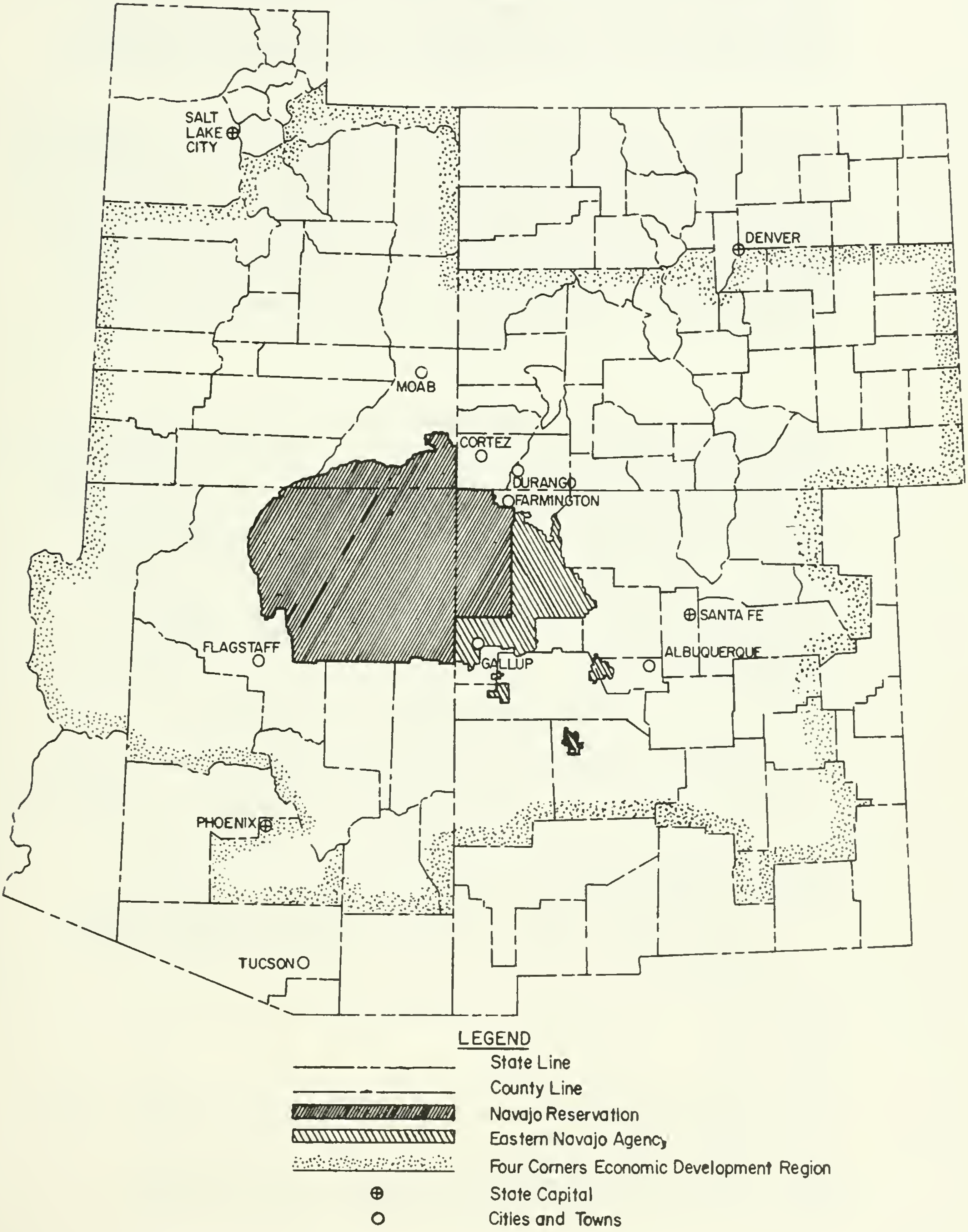
The Navajo reservation encompasses an area of 24,700 square miles, or approximately 16 million acres. It is located in the heart of the Four Corners region. Approximately 60 percent of the reservation is located in northeastern Arizona, with the remainder in Northwest New Mexico and Southeast Utah. (See Figure 2.) The Navajo reservation is the largest of all U.S. Indian reservations and comprises approximately one-fifth of all Indian lands in the U.S.

The closest major cities are Albuquerque, New Mexico, some 160 miles away, and Phoenix, Arizona, which is 300 miles away.

There are eight major and five secondary communities on the Reservation, with a combined population of 30,000. Six of the major settlements, Window Rock, Fort Defiance, Shiprock, Chinle, Tuba City, and Crownpoint began as

Figure 2

LOCATION OF THE NAVAJO NATION



Source: *Navajo Nation: Overall Economic Development Plan,* op. cit.

administrative centers dispensing governmental services. The other two major communities are Navajo, the site of the Navajo Nation's forest production industry, and Kayenta, a residential center for the Peabody Coal Mine atop Black Mesa. Most Navajos live in widely dispersed (five to six people per square mile) family groups.

The number of Navajos on the reservation in 1974, according to the Bureau of Indian Affairs, was 140,102.[1] The average Navajo family size is 5.6.[2] It is estimated that 35 percent of the Navajos are unemployed, and the average per capita Navajo income is $753,[3] according to the 1970 census. According to a 1974 survey,[4] "almost 90% of the Navajo reservation income dollars leave the reservation during the first round of spending to economically benefit other communities," because there are so few Indian-owned businesses on the reservation.

ECONOMIC ACTIVITY

The traditional economic activity of the Navajo has been the herding of livestock. As a result of rapid population growth on a fixed and deteriorating land base, this activity is no longer possible for many. It is the goal of the Navajo nation "to efficiently develop a diverse and dynamic economy, capable of returning the maximum employment and income benefits to the Navajo people, which will afford the Navajo people the maximum opportunity for choice of both style and standard of living and will provide a basis upon which they can establish their self-sufficiency as individuals and as a nation.[6]

MINERAL RESOURCES AND ROYALTIES

The Navajo Nation possesses significant reserves of commercial coal, oil, natural gas, and uranium. There are currently reserves of approximately 90 million barrels of

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1. Eric Natwig, *Navajo Nation: Overall Economic Development Program (OEDP).* Office of Program Development, Navajo Nation, Window Rock, Arizona. July, 1974, page 20.

2. *Ibid.*

3. *Ibid.*

4. Morrison-Knudsen, *Navajo New Town Feasibility Overview,* August, 1975, page S-1.

5. *Navajo Nation OEDP,* op.cit.

crude oil, 20 billion cubic feet of natural gas, 50 billion tons of coal, and 50 million pounds of uranium oxide.[1] Most of the mineral resource development on the reservation is located in New Mexico, with the exception of the coal mining on the Black Mesa near Kayenta, Arizona. (See Figure 3.)

1. Oil and Natural Gas

It is estimated that total production in 1973 was approximately 11,000,000 barrels of crude oil and 4,500,000 billion cubic feet of natural gas.[2] The royalty share of production belonging to the Navajo Nation is estimated at 1,500,000 barrels of crude oil and 785,000 cubic feet of natural gas.[3] The royalties from this production generate approximately $6.8 million[4] to the Navajo Nation annually.

2. Coal

Coal production on the Navajo Reservation is derived from three leases: Utah International's lease near Fruitland, New Mexico, Pittsburgh and Midway's lease, near Window Rock, and Peabody's lease, near Kayenta. Total production from these leases during 1973 was 10,915,300 tons.[5] The income from royalties to the tribe from royalties and lease rentals was $1,745,250.[6]

The Peabody Coal Company pays a minimum of 25 cents per ton royalty on coal mined from their two mines to the Navajo and Hopi Indians, because the mine is located on Navajo and Hopi joint use land. (The royalty paid is a percentage of the cost per ton of coal.) In 1976, the production from the two Peabody mines was 7.6 million tons.[7] Thus, the royalties paid were at least $1,900,000 to the two tribes in 1976.

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[1] Natwig, Eric,"Development Planning in the Navajo Nation." Part of the *Four Corners Regional Development Plan*. Office of Program Development, Navajo Nation, Window Rock, March, 1977.

[2] Op. cit., page 22.

[3] *Navajo Nation OEDP*, op. cit., page 22.

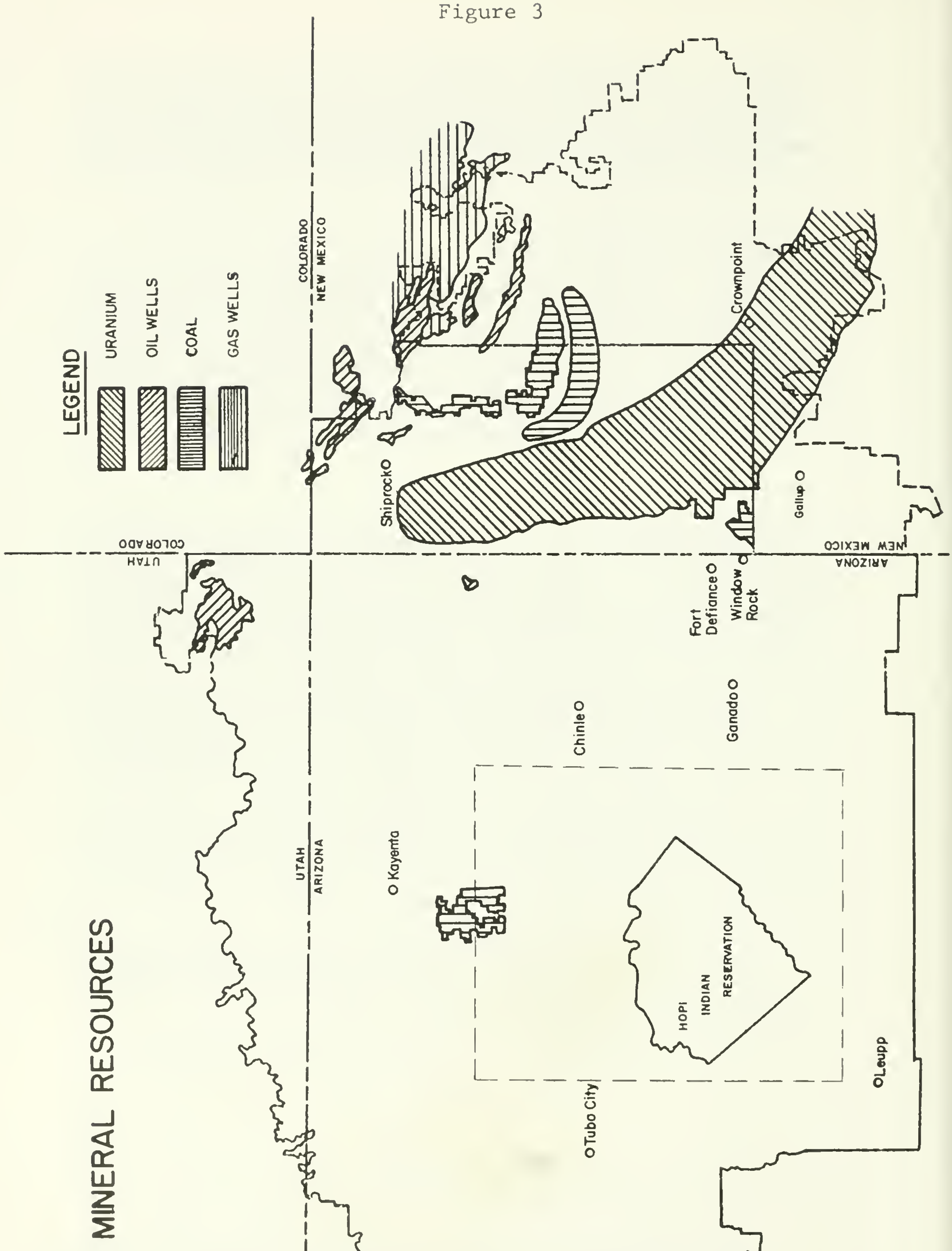
[4] *Ibid*.

[5] *Ibid*.

[6] *Ibid*, page 27.

[7] Federal Energy Administration, *Monthly Summary: Western Coal Development Monitoring System*. January 15, 1977.

Figure 3



Source: *Navajo Nation: Overall Economic Development Program.*

The Navajo mines is operated by Utah International near Fruitland. It provides 9 million tons of coal annually to the Four Corners power plant.

3. Uranium

Kerr-McGee and United Nuclear Corporation are operating uranium mines in the Church Rock, New Mexico area. Many other companies, including Mobil, Conoco, Phillips, Union Carbide, Anaconda, are either exploring or planning additional uranium mines in the area from Shiprock to Gallup, New Mexico. The Navajos will receive in excess of $6 million for exploration rights alone when the Bureau of Indian Affairs approves an agreement allowing the Exxon Corporation to explore for uranium in the northern area of the Navajo Nation. It is estimated that revenues to the Navajos will be in excess of $1 million when production at the Kerr-McGee mine in New Mexico is in full operation.[1]

ECONOMIC DEVELOPMENT GOALS

The projected life of energy development on the reservation is 35 years,[2] after which the Navajo people will be confronted with the problems of massive unemployment unless they capitalize on the direct and indirect benefits of mineral development to expand their economic base.

Not less than one-hundred major energy-producing firms, including Kerr-McGee, Exxon, United Nuclear, Gulf, Conoco, Phillips, Mobil, the Tennessee Valley Authority, El Paso Natural Gas, and WESCO have innundated the Navajos with plans for the development of Navajo coal, oil, natural gas, and uranium.[3]

Were energy developments to occur at the rate and scale proposed by these energy companies, the Navajo Nation would be burdened with enormous costs, including the direct costs of new infrastructure and new public services, as well as indirect social and environmental costs associated with the developments themselves and those costs induced by massive population movements to the sites.

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1. DNA - People's Legal Service, Inc., *The Navajo Nation and Taxation.* October, 1976, page 9.

2. *Four Corners Development Plan,* op. cit.

3. *Ibid.*

It is estimated that three- to four-billion dollars are needed just to bring the infrastructure on the Navajo reservation up to an equal footing with the rest of the Nation. Presently, approximately 1,500 of the 5,000 miles of Reservation roads are paved. The linear miles of surfaced road on the reservation is only two-fifths as complete a system as exists in the rest of the southwest.[1] Approximately 80 percent of the homes of the Navajo people are without any water and sewer service.[2] It has been estimated that between 72 percent and 90 percent of the present housing on the Reservation is substandard.[3]

The capital cost of financing one new town proposed near Burnham, New Mexico is estimated at $110 million for a town to accommodate 11,000 people[4] The town's operating budget is estimated at $1,219,000 per year.[5] Assuming that the tribe could raise the capital to finance the new town, which would be very difficult, the new town would cost approximately $12 million per year (including operating costs).[6]

On the positive side, with increased energy development, employment in the mining industry on the reservation is projected to increase. Since the Navajos have established "Navajo Manpower Utilization Requirements," specific percentages of Navajos must be hired for projects on or near the reservation. Appendix Table A-1 shows the projected increases in employment on mining industries on the reservation.

Oil, natural gas, uranium, and coal have all provided revenues to the Navajo government. In FY 1974-1975, oil and natural gas revenues were 83.3 percent of the total

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[1] *Navajo Nation OEDP,* op. cit., page 40.

[2] *Ibid.*

[3] Morrison-Knudsen Co., Inc., *Navajo New Town Feasibility Overview,* August, 1975, page S-1.

[4] *Ibid.*

[5] *Ibid.*

[6] Assume the capital cost of the new town is amortized over a 30-year period at 9% interest.

Navajo Nation's mineral revenues.[1] All known oil fields in the Navajo Nation have been developed, and coal and uranium production is increasing. The Navajos feel that although they possess a great number of resources, they do not receive a fair return for them. They believe that they should receive taxes commensurate with their responsibility for the provision of services. Because the tribes do not receive taxes, they are forced to use the income from royalties and rents for general governmental services.[2]

NAVAJO TRIBAL REVENUES

The Navajo Nation does not collect taxes to finance its operation. It does collect a small number of fees and licenses and permits. A list of the Navajo Nation's 1975 governmental revenue is presented in Table 3.

Table 3

NAVAJO GOVERNMENT REVENUES - YEAR ENDED June 30, 1975[3]

Revenues:	
Oil & Gas Revenues (royalties, bonuses, rentals)	$16,195,953
Mining Royalties & Rentals	2,969,816
Interest Income	4,223,697
Trader Site Rentals, Fees, & Permits	1,154,740
Timber Sales to NFPI	1,074,600
Court Fines and Fees	437,975
Land & Building Rents	377,796
Self-Insurance Premiums	272,147
Ranch Receipts	195,569
Feed Grain Sale	186,403
Groundwater ACP	69,255
Capital Equipment Sales Proceeds	1,580
Cash Received from NFPI	---
Contract Revenue for Program Development	---
Settlement from Westward Coach Corp.	---
Other, Net	389,861
	$27,549,392

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1. DNA - People's Legal Service. *The Navajo Nation and Taxation*. October, 1976, page 3.

2. Murphy, Bob, *Energy Impact Mitigation Issues for Indian Lands*. Resource Communities, Inc., Santa Fe, NM, January 15, 1977.

3. *The Navajo Nation and Taxation*, page 3, op.cit.

ARIZONA REVENUES FROM THE RESERVATION

The mining operations also provide a source of income to the State of Arizona. In 1976, the Peabody Coal Company provided the following payments to the State of Arizona.[1]

Combined transaction tax (privilege and sales tax)	$1,185,618.76
Use Tax	69,598.26
Rental Tax	2,084.25
Total Taxes Paid	$1,257,301.27

The combined transaction tax includes a 1 percent tax on the gross proceeds of mining,[2] a 1 percent excise tax for education,[3] and a ½ of 1 percent special excise tax on education.[4]

On coal mined and sold at retail prices to customers in Arizona, the state levies a 2 percent transaction tax and a 2 percent education excise tax.[5] The Peabody Coal Company also pays property taxes and sales taxes to the State of Arizona.

All types of state taxation on the reservation are indicated in Table 4.

COUNTY REVENUES FROM THE RESERVATION

The county does not collect taxes from the Peabody Coal Company because the mine is not within its jurisdiction.

Sources of county revenue collected on the reservation include:

County Taxes.

1. Collected from Navajos; None

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[1] Information obtained from the tax department of Peabody Coal, St. Louis, Missouri.

[2] Arizona revised statutes 42-1310.

[3] Arizona revised statutes 42-1371.

[4] Arizona revised statues 42-1361.

[5] Arizona Department of Revenue, Division of Sales and Use.

2. Collected from non-Navajos:

    a) property taxes on house trailers, mining equipment, oil and gas equipment, trading post equipment, livestock.

    b) various license fees.[2]

An analysis of mining in eleven Western States over the last five years indicates that the total tonnage for Indian mineral development equals 94,028,224 tons or 37% of the States' total mineral production. However, because in today's economy, the primary economic return on mineral development is not from royalty but from taxes, the Indian mineral owners in these Western States for the most part have never acquired an overall economic return

Table 4

STATE TAXATION ON THE RESERVATION

State Taxes:

1. Collected from Navajos:

    a) Taxes on gasoline
    b) Taxes on cigarettes and other tobacco products
    c) Various taxes on oil, gas, and mineral royalties
    d) Motor vehicle licenses and registration fees
    e) Sales taxes

2. Collected from non-Navajos living in the Navajo Nation, in addition to those above:

    a) Property taxes (on improvements, business)
    b) Sales taxes
    c) Personal income taxes
    d) Corporate income taxes
    e) Various merchant license fees
    f) Various taxes on the value of the natural resource products severed from the soil (this is in addition to all other taxes such as income taxes which result from the development of natural resources in the Navajo Nation)

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1. DNA - People's Legal Service. *Taxation on the Navajo Reservation.* October, 1976.

2. *Ibid.*

that reflects the fact that Indian mineral development is in excess of one-third of the total development. This occurs, because there is little tribal taxation of mineral development, so the tax revenues from the development go to the local, state, and federal government.[1]

TRIBAL EXPENDITURE

The total budgeted appropriation of the Navajo Nation Council for FY 1975 was $29,234,654.[2] The money is used for the operation of the Navajo government for police protection, social services, welfare, agricultural services (providing water for livestock), and education (scholarships, school clothing). Most of the money the tribe provides is for services rather than capital improvements.

FEDERAL EXPENDITURES ON THE RESERVATION

In 1975, the Bureau of Indian Affairs and the Indian Health Service combined spent approximately $250 million for education, health, welfare, and general governmental services on the Navajo Reservation. The Navajo Nation (directly or indirectly through the Office of Navajo Economic Opportunity, the Navajo Housing Authority, the Navajo Health Authority, and DNA-Legal Services) administers federal grants and contracts currently estimated to be in the neighborhood of $60 million to provide health, education, welfare, legal services, housing, and other general governmental services.[3]

The Navajos also receive federal money for roads and sewers. There is substantial federal money received by the tribe for services and programs but very little for capital improvements. Of the $800 million of federal funds received over the last three years, less than a quarter or about $150 million was available for capital improvements.[4]

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1. Israel, Daniel, *The Reemergence of Tribal Nationalism,* Native American Rights Fund, Boulder, CO, 1976.

2. DNA - People's Legal Service. *Taxation on the Navajo Reservation.* October, 1976.

3. Natwig, Eric, *Economic Development Option Available to the Navajo Tribe: Projections of Employment Effects of Major Economic Developments in the Navajo Nation.* Office of Program Development, Navajo Nation, Window Rock, July, 1976, page 9.

4. Bob Murphy, Resources Communities, Inc.

STATE ASSISTANCE

The state highway patrol provides law enforcement assistance in case of events such as militant disorders and demonstrations. Other divisions of the Department of Public Safety can provide technical assistance in investigating some crimes, vehicle and license checks, providing information from criminal records, and helicopter ambulance service.

The Department of Economic Security provides financial assistance, including aid for dependent children, emergency assistance, food stamps, unemployment insurance, tuberculosis control, training payments, etc. The Department also provides family and child services, medical services, training for the handicapped, veterans' service, services to the mentally retarded, and employer services.

The state welfare program is very limited. Most welfare is provided by the U.S. Bureau of Indian Affairs.

RAISING CAPITAL FOR INFRASTRUCTURE

The Navajo Nation finds itself severely handicapped in its ability to raise sufficient revenue to finance the necessary infrastructure and governmental services for several reasons.

First, the federal government has not provided the legal mechanisms to give bonds floated by Indian tribes a tax-exempt status. Second, the trust status of Indian lands does not allow for the alienation of land; hence, land cannot be sold. While the value of the leasehold interest can be mortgaged, questions are unresolved regarding the marketability of the leasehold mortgages in the case of default. Third, existing sources of tax revenue have been "pre-empted" by the state, in the case of mineral development in New Mexico. The result of this is that the tribe must choose to either levy a tax in areas exempt from state taxation or levy taxes in addition to the New Mexico taxes. The tribe as a sovereign claims the power of taxation, but in almost all cases such a move would put the tribe at a competitive disadvantage in attracting developmental capital. The State of New Mexico under its current legislation cannot pass on state tax funds to any entity "not under the absolute control of the state,"[2] which is generally interpreted to

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1. The information in this section was taken from: Natwig, Eric and Godoff, Stephen, *Energy Development and the Navajo Tribe,* New Mexico Business, September, 1976.

2. Article IV, Section 31, New Mexico Constitution.

mean political subdivisions of the state. A similar provision is not explicitly stated in the Arizona Constitution. The Navajo Nation is not prepared to jeopardize its sovereignty by allowing incorporation within any state.

The net result is that it is very difficult for the Navajos to provide the necessary infrastructure and housing for workers associated with energy development.

SCHOOL FINANCING IN ARIZONA ON INDIAN LANDS

There are four types of schools on the Navajo Reservation, including public schools, mission schools, contract schools, and BIA schools. They are all financed independently. The complexity of school financing revolves around the issue of responsibility, namely whether or not Indian education is a state or federal responsibility. The four types of schools are autonomous, lack intercommunication, and do not have uniform accreditation.

Prior to 1936, the United States and the State of Arizona each operated an independent school system upon the Navajo Indian reservation. The U.S. established a system of schools under the auspices of the BIA to educate Navajo children, and the State of Arizona created school districts upon the reservation for the education of non-Indians. This system of mutually exclusive schools operated for many years.

In 1936, Congress passed the Johnson O'Malley Act[1] (JOM) which authorized the Congress to provide funds for the education of Indians. In 1937, the legislature of the State of Arizona authorized the State Board of Education to obtain JOM funds to provide for the education of Indians in the state public schools. During the '50s, funding under the Federal Impacted Areas Act became available to state school districts for maintenance and operation (PL 81-874) and for building construction (PL 81-815) and replaced JOM funds as the primary federal contribution for defraying the cost incurred by public schools for the education of Indian children. The BIA also continues to fund and administer BIA schools for the exclusive education of Indian children.

The number of Navajo children entering the state school system has increased substantially in recent years. The Indians and their property are exempt from taxation under the Constitution of the State of Arizona. The only tax base upon which the school districts may levy taxes is property owned by non-Indians. In some school districts, this places the entire cost of providing education on a few taxpayers in the school district. The tax rates established by school districts have remained consistent with the state's obligation to educate non-Indians,[1] and at the same time the level of federal funding available to the state school system for Indian education has gradually decreased.[2]

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[1] 25 U.S.C. #452-456.

PUBLIC SCHOOLS

Thirty-one thousand Navajo students attend public schools. Arizona public school districts have two major sources of revenues: local property taxes and basic state aid. These two categories account for more than half the normal districts' budgets. In addition, school districts receive revenues from a variety of minor sources, including tuition, to finance students from other school districts and special programs which are funded by both state and federal sources.

In school districts on the reservation, state and local sources account for less than 50% of the revenue. In Apache county, state and local sources only account for 47% of the school district's revenue, and in the Window Rock elementary school district, which is predominantly Navajo, 37% of the school district's revenue is from state and local sources, while 52% of their revenue is obtained from federal sources. (See Tables A-2, A-3, Appendix.)

Each school district is required to levy a 13-mill property tax upon the assessed property within its boundaries to qualify for state aid. The assessed value of property in school districts with predominantly Indian populations is usually from $1 million to $5 million. Elsewhere in the state, the assessed value in a school district varies from $20 million to $30 million. (See Table A-4, Appendix.)

The state support level set by the legislature is $912.66[3] per student. The basic state aid formula is BSA = (SL x ADM) - (13 mills x VAP) where

BSA = Basic state aid for a school district
SL = per student support level for a school district
VAP = value of assessed property
ADM = average daily membership

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[1] Kerr-McGee Corporation v. Chinle School District 24, Complaint C-324-239 (Superior Court, Maricopa County).

[2] *Ibid, page 14.*

[3] Arizona Department of Education.

In addition to state aid, Indian school districts receive PL 81-874 for maintenance and operation and PL 81-815 for building construction funds. PL 81-874 and PL 81-815 funds are available to school districts with at least 3% of the students living on federal land. PL 81-815 construction funds are distributed on a priority basis to eligible school districts. The Navajos aren't always on the top of the priority list, so they don't always receive as much money for buildings as they need.

Districts with at least 70 percent Indian children also receive Johnson O'Malley funds which are provided by the state for programs to meet special and unique needs of Indian children 3 years old through grade 12. Federal revenues are subtracted from the amount of state aid available to Indian school districts.

The average expenditure per ADM (average daily membership) in Indian school districts is up to 30% higher than the state average in all school districts, but the costs to educate Indian children are much greater than non-Indian children. This is due to high cost of transporting students from isolated family groupings to the schools, the fact that the schools are isolated so the district must provide services such as fire protection, which aren't normally provided by school districts. Also, the cost to maintain the buildings is higher, because the buildings are in very poor condition, and in many cases mobile classrooms must be provided.

BIA SCHOOLS

The Bureau of Indian Affairs (BIA) also operates schools on the reservation. BIA schools have an attendance of 17,692 students. The BIA funds day schools, boarding schools, and contract schools. The total FY 1975-1976 BIA school budget was $51,372,762. The BIA operates 53 schools on the Navajo Reservation, of which 49 are boarding schools and eleven are day schools.

A contract school is a school which was formerly run by the BIA. When a community meets certain standards, it can contract with the BIA to run the school using BIA funds. There are three contract schools on the reservation, including the Rough Rock Demonstration School near Many Farms, Arizona, the Rock Point School near Chinle, Arizona, and the Borrego Pass School near Crownpoint, New Mexico. They have a combined FY 1975-1976 budget of $1,928,922 and a student population of 867.

COMMENTS

The only tax base upon which the public school districts may levy taxes is upon property owned or held by non-Indians. This unduly places the burden of providing education for the Navajos on a few taxpayers in the district. The provision of adequate education should be the obligation of the state and federal government. As citizens of the state, Indians are entitled to state services, such as public education. The federal government also has responsibilities for Indian education flowing from its specific treaty promises and its unique guardianship relationship to the Indians. It is uncertain what are the relative obligations of the state and federal government regarding Indian education.

The provision of adequate educational buildings on the reservation is a problem. PL 815 provides revenues for buildings on federal land, but the funding has not been dependable or adequate. The funds are allocated on a priority basis throughout the United States, so the Navajos do not always receive what they need.

LEGAL COMPLICATIONS

"The relationship of the Indian tribes living within the borders of the United States.../_is_/an anomalous one and of a complex character."[1]

The anomaly arises from the historical background from which the relationship between the federal government and the state has derived.

> "It must always be remembered that the various Indian tribes were once independent and sovereign nations and that their claim to sovereignty long predates that of our own government...They were, and always have been, regarded as having a semi-independent position when they preserved their tribal relations; not as states, not as nations, not as possessed of the full attributes of sovereignty, but as a separate people, with the power of regulating their internal and social relations and, thus far, not brought under the laws of the Union or of the State within whose limits they resided."[2]

In the State of Arizona, questions regarding the quasi-sovereignty of Indian people have led to a confusing and many times hostile situation.

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1. McClanahan v. Arizona Tax Commission 411 U.S. 164, 173 (1973).

2. *Ibid*, 411 U.S. at 172-3.

The Supreme Court of the United States held that the State of Arizona has no jurisdiction to impose a tax on the income of reservation Navajo Indians with respect to income derived wholly from reservation sources.[1] The court mentioned that this was clear from a reading of the relevant treaty with the Navajos and the federal statutes. At the same time, the Arizona Superior Court has decided that all people of the state of Arizona have the right to vote.[2]

The result of these two court decisions in Apache County, Arizona is that two of the three county supervisors are Navajos, yet Navajos are not subject to taxation. Consequently, the Navajos exercise control over the distribution of funds generated from the taxation of non-Indians. This situation is of special interest because the Coronado Station power plant is currently being built in Apache County outside the city limits of St. Johns. This power plant will increase the county's property tax base substantially. Therefore, the Navajo-controlled county government will have taxing jurisdiction over the enhanced assessments, although the facility is located off-reservation.

The State of Arizona is also involved in litigation on appeal to the State Supreme Court regarding school financing in the case of Kerr-McGee Corporation vs. Chinle School District 24.[3] Questions regarding the relative federal, state, and local responsibility regarding school financing are being raised in this case, along with the issue of Navajo collection of property taxes from non-Indian taxpayers on the Navajo Reservation to pay for the education of Navajo children.

FINDINGS

The Navajo Nation views energy resource development as a means of stimulating economic development on the reservation. Mineral development revenues are perceived by Navajos as a source of revenue to be channelled into other enterprises which will be self-sustaining past the period of active resource development. Energy development on the reservation will present many opportunities for the Navajo people as well as create problems affecting many facets of their lives. The Navajo Nation will be hard pressed to finance infrastructure and capital improvements on the reservation because of their inherent lack of existing roads, water, sewer systems, housing, etc., as well as their inability to raise capital to provide capital improvements and services.

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[1] McClanahan v. Arizona Tax Commission, 93 S.Ct. 1257 (1973)

[2] Shirley vs. Superior Court of Arizona 513 P.2d. 939 (1973)

[3] #C-324-239 (Superior Court - Maricopa County).

Fragmented revenue sources plague the entire reservation due to uncoordinated and confused federal, state, and tribal jurisdiction on the reservation as well as legal issues which need clarification.

In order to fully capitalize on mineral development, the Navajo Nation believes that it must "develop an overall economic development strategy which concentrates on Navajo participation in its resource development, on manufacturing activities vertically integrated into the Navajo resource base, and on commercial development which satisfies Navajo consumer demand. The overall development approach must ensure that the rate and scale of economic development is consistent with the Navajos' ability to absorb growth."[1]

The Navajo Nation is taking a very active role in developing plans for industrial development which reflect Navajo objectives, strategies, and priorities. Mineral development on the reservation can benefit the Navajo people tremendously as one part of an overall economic development plan, because it will provide Navajos with employment, bring additional sources of revenue onto the reservation, and increase Navajo self-sufficiency.

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1. *Four Corners Regional Development Plan*, op. cit.

CHAPTER IV

ALTERNATIVE FISCAL STRATEGIES FOR RESERVATION COMMUNITIES

In order to provide services and capital improvements in a timely manner to reservation communities experiencing rapid growth, the Navajos should develop a steady stream of predictable revenue. The following are a number of means which could provide revenue for infrastructure and help to diversify their economy.

1. In the past, a large amount of federal assistance has been pumped into the reservations, but the level and use of the funding has not fostered development of the Indian economies. A new program of federal support to reservations may be needed with a new orientation toward developing viable reservation economies. A program of this sort would include an increase in federal funds, along with a shift to programs addressing the causes of under-development, such as lack of capital facilities, rather than the symptoms of under-development.

2. The Navajos could consider developing techniques and data for use in an evaluation of potential mineral development. This would include collection of comprehensive and manageable data regarding the location and potential of mineral reserves as well as the development of empirically derived techniques, i.e., benefit/cost analysis which could be used to evaluate the positive and negative aspects of development.

3. One means of developing a steady stream of revenue is through taxation. The Navajos could assert their powers of taxation and regulation on the reservation to the extent allowed under the law. In addition, the powers of state taxation on the reservation could be reduced and thereby enhance the rights and the abilities of reservation Indians to achieve self-sufficiency. The Zuni Indians in New Mexico, for example, recently enacted a retail sales tax on their reservation which has proven to be valuable in achieving greater financial independence.

4. An investigation could be undertaken by the Navajo, the State, or an independent consultant to determine the costs incurred by state and local governments for the delivery of services to the reservations compared with the amount of revenue received by these governments either directly or indirectly from the reservation resources.

5. The Navajos could continue to consider a variety of contractual agreements with energy companies and determine the benefits and cost of various contractual

options. Possible options include royalty agreements, joint ventures, delayed development, production-sharing agreements, and ownership of resource development, as well as requiring energy companies to create scholarship grants and on-the-job apprentice and training programs for the development of Navajo technical and professional expertise.

Royalty agreements are relatively uncomplicated for a tribe to administer, because the U.S. Geological Service receives royalty payments and transfers them to the tribe. Historically, potential revenues have not been maximized, because tribal involvement has been inadequate in setting past royalty payments.

A joint venture between a tribe and an existing mineral development enterprise would require a tribal investment of land, labor, and capital, as well as development of technical and administrative expertise on the part of the tribe. While the risk to the tribe is greater, the potential returns may offset the risk; of course the tribal return on investments will vary according to how well the joint ventures do in the private market. Delayed development would allow for more planning but at the possible risk of lost opportunities for development, as technologies change and other regions of the country develop their own resources. Production-sharing agreements may be used which involve "in-kind" oil, coal, gas, etc. payments, rather than cash by the lessee to the tribe, which may then use these minerals in its own refining or other production facility. Tribal ownership and development of minerals, of course, is the most costly and most risky option, yet the benefits received to the tribe promise to be the greatest under this arrangement.

6. It would be advantageous to the energy companies and the Navajo Nation if the federal government would enact legislation to allow energy companies to credit rather than deduct royalties paid to Indian Nations against their federal income taxes. This would benefit energy companies, because the federal government would then be enhancing the after-tax net profits and pave the way for the Indian Nations to bargain for higher shares of the private profits.

7. Tribal capacity to issue bonds is a topic worthy of intensive study. For an Indian community to undertake bonding, under present law, the Indian Nation must register with the appropriate state government as an incorporated area. This is something that the Navajo Nation will not do, because it will jeopardize its sovereignty.

8. Tribal revenues from mineral development could be used for block purchases of Certificates of Deposit (through the guaranteed investments program of the Bureau of Indian Affairs), and the interests from this investment can be used for governmental services and capital improvements.

9. Under the new regulations of the Joint Funding Simplification Act of 1975 (PL 93-510), the Indian Nations might be better able to coordinate federal funding efforts with each other as well as tribal goals.

10. The Navajos might consider using the Indian Self-Determination and Education Assistance Act as a source of grants for tribal planning. The Act also provides funds to Indian tribes to take over BIA-operated programs and operate them as an integral part of tribal government.

COMMENTS

The problems associated with energy mineral development on the Navajo Reservation are far from being resolved. Many legal questions regarding federal, state, and tribal jurisdiction still need to be answered. Current and accurate data regarding mineral location and supply need to be developed. Unique economic, educational, social, and cultural factors are all extremely important considerations which affect reservation energy development.

APPENDIX

Table A-1

PAST AND PROJECTED EMPLOYMENT IN THE MINING INDUSTRY ON THE NAVAJO NATION[1]

	1975	1976	1977	1978	1979	1980	1985	1990
Uranium Mining, Chilchinbito*							20	30
Coal Mining, Black Mesa*							150	250
Kerr McGee Uranium Mine	189	301	451	511	511	111	851	1,000
United Nuclear Uranium	176	550	750	800	900	950	1,000	1,000
Western Nuclear Uranium	39	49	79	95	110	100	100	100
Gulf Uranium Mine	0	50	115	105	105	105	0	0
Conoco Uranium Mine	0	0	0	0	50	100	150	200
Phillips Uranium Mine	0	0	50	200	200	200	300	300
Mobil Oil/TVA Mines	0	0	0	0	0	100	200	250
Union Carbide	0	0	0	0	0	0	100	50
Texas Utilities Coal Mine/Santa Fe Railroad	0	0	0	45	376	347	640	670
Coal Development	0	0	0	0	0	0	400	400
NTVA Power Plant	0	0	0	0	0	0	200	100
McKinley Coal Mine	85	190	150	190	240	300	300	300
Ft. Defiance Coal Mine*	0	0	0	0	0	0	0	100
Navajo/Exxon Joint Venture	0	0	32	32	32	32	552	573
Uranium Mining, Rock Cove	0	0	0	15	15	15	15	15
Utah International Coal Mine	568	570	520	520	520	520	520	520
El Paso Consol Lease	0	0	0	100	100	240	234	245
Oil & Gas-Aneth, Utah	129	129	112	102	60	40	60	40
WESCO Gasification	0	0	1,833	3,673	3,183	4,212	3,100	2,448
El Paso Gasification	0	0	0	950	2,520	3,193	625	625
Four Corners Power Plant	396	1,229	875	580	585	589	625	626
Uranium Mine*	0	0	0	0	0	100	200	200
Peabody Coal Mine*	423	540	580	500	500	500	500	500
Navajo Plant*	1,578	1,274	951	675	675	675	675	675
Geothermal*	0	0	0	0	0	0	150	100
Total Projected Employment	3,683	4,882	6,588	9,093	10,672	13,029	11,667	11,317
Total Employment in Arizona	*2,001	1,814	1,531	1,175	1,175	1,275	1,695	1,755

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[1] Compiled from *Economic Development Options Available to the Navajo Tribe: Projections of Employment Effects of Major Economic Developments in the Navajo Nation, 1975-1990*. Prepared by Eric Natwig, Office of Program Development, Navajo Nation, July, 1976. The projections represent low to moderate scenarios.

*Asterisks represent employment associated with mineral development in Arizona.

Table A-2

WINDOW ROCK SCHOOL DISTRICT REVENUE

SOURCES OF REVENUE	1973-74	SUBTOTAL	1974-75	SUBTOTAL
I. Operation		$3,622,803		$4,744,279
A. Local Sources		261,378		182,670
1. Tax Levy	136,940		16,525	
2. Earnings from Investments				
3. Tuition	77,118		75,920	
4. Other	47,320		90,225	
B. County Sources		40,774		
C. State Sources		1,208,182		1,706,609
1. Basic and Equalization Aid	666,418		1,538,215	
2. Special Education	482,106		45,534	
3. Transportation			84,907	
4. Other	59,658		37,953	
D. Federal Sources		1,958,355		2,692,811
1. Public Law 81-874	821,403		773,604	
2. E.S.E.A. and Other Federal Projects	316,225		899,145	
3. Johnson O'Malley	499,042		580,285	
4. All Other	321,685		439,777	
E. Other Revenue		154,114		162,189
F. Non-Revenue Receipts				
II. Capital Outlay and Debt Service		43,393		453,069
A. Local	43,393		224,257	
B. County				
C. State				
D. Federal			228,812	
TOTAL		$3,666,196		$5,197,348

Compiled by the Navajo Nation Department of Education as part of *The Fiscal Research Project*. October, 1976.

Table A-3

WINDOW ROCK SCHOOL DISTRICT EXPENDITURES

EXPENDITURES	1973-74	SUBTOTAL	1974-75	SUBTOTAL
I. Operation		$3,123,999		$3,872,47
A. Administration		266,774		186,21
B. Instruction		1,701,977		2,948,07
1. All Certified Salaries	1,464,150		1,650,411	
2. All Non-Certified Salaries	93,717		477,745	
3. Other Expenses	144,110		819,920	
C. Attendance Services		9,605		
D. Health Services		262		
E. Transportation		208,133		318,87
F. Operation		249,461		
G. Maintenance		83,913		
H. Fixed Charges		228,936		126,62
1. Employee Benefits	97,711		126,622	
2. Other	131,225			
I. Food Services		388,104		292,69
J. Student Activities		26,834		
K. Community Services				
II. Capital Outlay		206,042		535,01
III. Debt Service		51,113		49,46
IV. Other		499,859		391,83
TOTAL		$3,881,013		$4,848,78

Compiled by the Navajo Department of Education as part of *The Fiscal Research Project*. October, 1976.

Table A-4

ARIZONA ASSESSED VALUATION

1970-1971 through 1974-1975

(in dollars)

District	1970-1971	1970-1971	1972-1973	1973-1974	1974-1975
CHINLE	9,461,446	7,945,064	7,069,535	6,553,191	7,316,732
FLATSTAFF	67,758,821	72,834,389	78,962,653	92,678,826	111,803,219
GANADO	7,108,842	7,063,877	7,181,695	7,177,135	8,677,984
HOLBROOK	16,122,455	16,316,876	17,099,660	18,031,484	22,071,326
JOSEPH CITY	10,786,586	10,947,837	10,965,008	10,945,397	13,127,171
KAYENTA	2,347,011	3,868,009	10,622,567	14,743,280	15,977,126
KEAMS	1,788,305	1,846,547	1,882,850	1,899,976	2,288,496
NAVAJO COMPRESSOR STATION	2,675,257	2,587,125	2,622,452	2,732,193	3,325,489
PAGE	8,211,543	9,249,909	19,000,388	35,010,966	66,766,878
PUERCO	5,516,211	5,352,183	6,017,279	6,292,092	6,544,165
ST. JOHNS	4,605,612	4,381,964	4,009,557	4,233,675	4,949,400
SNOWFLAKE	11,398,074	11,614,954	12,241,673	18,431,000	19,972,861
TUBA CITY	668,476	726,227	1,036,600	1,054,425	1,380,161
WINDOW ROCK	4,590,479	4,481,098	4,918,787	5,373,648	7,432,723
WINSLOW	12,607,647	12,675,372	13,625,366	14,693,441	16,663,177

Compiled by the Navajo Department of Education as part of *The Fiscal Research Project*. October, 1976.

Table A-5

ARIZONA TAX RATE

1973-1974 and 1974-1975

(in mills)

DISTRICT	1973-1974	1974-1975
CHINLE	2.5800	3.9150
FLAGSTAFF (Elementary & High School)	5.7604	5.2719
GANADO	3.4882	7.9233
HOLBROOK (Elementary & High School)	5.7302	5.1889
JOSEPH CITY (Elementary & High School)	4.7702	5.0667
KAYENTA	3.1159	6.3794
KEAMS	3.8800	4.3260
NAVAJO COMPRESSOR STATION	0.4163	0.8997
PAGE (Elementary & High School)	3.6338	5.1775
PUERCO	3.2522	4.4198
ST. JOHNS (Elementary & High School)	4.6504	2.9786
SNOWFLAKE (Elementary & High School)	4.9556	4.8455
TUBA CITY (Elementary & High School)	4.6934	6.2301
WINDOW ROCK	3.3989	4.5897
WINSLOW (Elementary & High School)	4.6295	3.6822
MONUMENT VALLEY (High School)	2.0460	6.3749

Compiled by the Navajo Department of Education as part of *The Fiscal Research Project*. October, 1976.

Table A-6

ARIZONA BONDED DEBT

1973-1974 and 1974-1975

(in dollars)

DISTRICT	1973-1974	1974-1975
CHINLE	0	
FLAGSTAFF (Elementary & High School)	3,340,000	2,500,000
GANADO	600,000	545,000
HOLBROOK (Elementary & High School)	170,000	85,000
JOSEPH CITY (Elementary & High School)	1,475,000	1,401,000
KAYENTA	365,000	340,000
KEAMS	0	0
NAVAJO COMPRESSOR STATION	0	0
PAGE (Elementary & High School)	2,000,000	10,000,000
PUERCO	320,000	305,000
ST. JOHNS (Elementary & High School)	94,000	76,000
SNOWFLAKE (Elementary & High School)	1,490,000	1,375,000
TUBA CITY (Elementary & High School)	210,000	210,000
WINDOW ROCK	360,000	330,000
WINSLOW (Elementary & High School)	65,000	0
MONUMENT VALLEY (High School)	365,000	340,000

Compiled by the Navajo Department of Education as part of *The Fiscal Research Project*. October, 1976.

Section Nine: Housing

BOOMTOWN HOUSING: THE PROBLEM AND POSSIBLE SOLUTIONS

by Nancy Carlisle, Environmental Planner
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CHAPTER I

INTRODUCTION

Housing problems are often the first negative impact of boomtowns to surface in a community and can be the most serious consequence of boomtown developments. As construction workers come into an area with the start of construction, they live in motels and apartments (if available), and absorb all the vacant housing in the area. As workers come in for longer stays, they bring their families and are forced to live in mobile homes because there is no alternative.

In Sweetwater County, Wyoming, the Denver Research Institute found that residents ranked housing problems as the second highest problem in impacted communities, after health services.[2] Unlike the problems involved in financing community infrastructure and services, housing problems will remain as long as the boom remains.

The lack of adequate housing has had many far-reaching ramifications in boomtowns. The lack of adequate housing has been a major factor in the high worker turnover rate. It contributes to decreased individual productivity and reduces production levels, causing a decrease in energy-related revenues. Lack of adequate housing increases the difficulty of recruiting badly needed doctors, teachers, and public sector employees to these communities, all of which decreases the quality of the living environment for all community members.

The demand for housing in boomtowns is generated by both temporary construction workers and new permanent workers. The provision of an adequate supply of both permanent and temporary housing has been a very difficult problem for communities experiencing a large and sudden influx of construction workers.

For a variety of reasons, the traditional methods of providing housing have not functioned adequately. Some factors which make the provision of housing in boomtowns unique include the high risk associated with energy development, a shortage of capital from local financial institutions, and the high cost of housing.

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1. HUD, *Rapid Growth from Energy Projects. Ideas for State and Local Action.* March, 1976.

2. Gilmore, John S. et. al, *Analysis of Financing Problems in Coal & Oil Shale Boomtowns.* University of Denver Research Institute, Denver, Colorado. November, 1975, page 84.

RISK

There is a high risk associated with changes in the timing of energy developments and the possibility of project abandonment. This inhibits a community's ability to attract outside developers and both outside and local capital.

As Figure 1 indicates, the size of the work force varies considerably throughout the construction phase. In the peak construction year three to four times the number of employees may be needed as compared to the operational phase. Thus, the housing demand is substantially greater, although of relatively short duration, during the construction phase.

The provision of housing traditionally has been a private enterprise function. But in the case of large construction projects in which housing demand varies greatly, private enterprise is discouraged from investing significant amounts of capital to develop housing units unless continued use of the units can be assured.

In a large community such as Albuquerque, New Mexico or Grand Junction, Colorado, there is a relative lack of risk for a developer. Therefore, it is very difficult to attract developers from such large communities to boomtowns.

ACCESS TO CAPITAL

Supplying capital to prospective builders and home owners presents a problem in energy-impacted communities. The financial needs of these communities normally exceed locally generated funds; therefore, the local banks are constantly "loaned up" to their limits. Many of these local financial institutions do not have well developed mortgage banking relationships (for sale of mortgages to secondary markets), which are required to import capital from outside communities.

COST

The housing market becomes extremely tight in boomtowns. With increased demand, there is a consistent upward pressure on the cost of housing and land. Presently, in Gillette, Wyoming, housing costs average $45,000 - $55,000[1]

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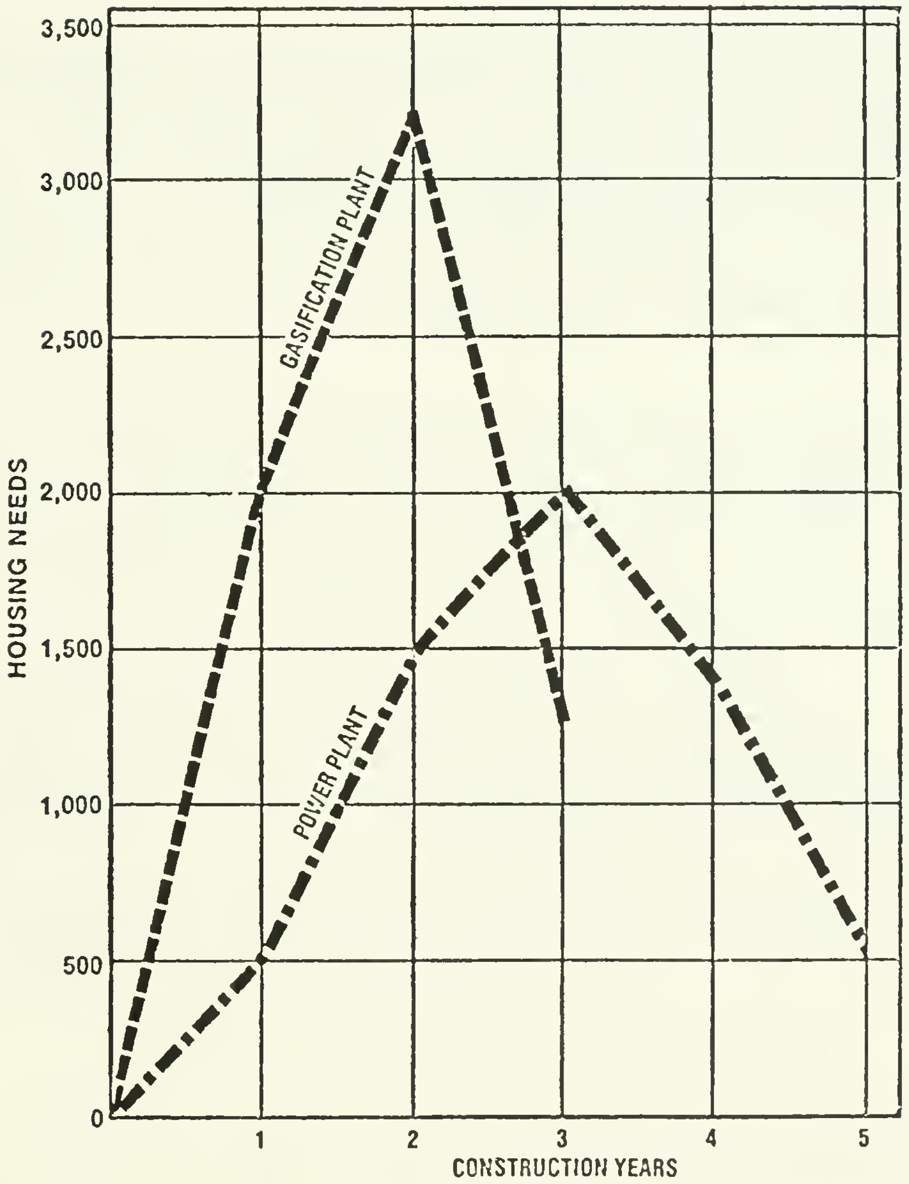
[1] Gladstone Associates, *Strategies for Balanced Growth and Development, Gillette and Campbell Co., Wyoming.* June 10, 1976, page 23.

Figure 1

HOUSING NEEDS OF CONSTRUCTION WORKERS OF A SINGLE GASIFICATION PLANT AND POWER PLANT



Source: Northern Great Plains Resources Program: "*Impacts of Coal Development in the Northern Great Plains*," April, 1975.

and range up to $150,000.[1] An 8,000 square foot lot in Price, Utah costs $12,000.[2] Also, the vacancy rate in boomtowns is usually extremely low; for example, in Gillette, it is less than 1%.[3] Thus, there is virtually no opportunity to purchase existing units at pre-boom market prices and very few units are available for rent as compared to a larger community, which would have a greater capacity to absorb a population influx. Therefore, almost every new resident must be accommodated in a new housing unit.

National trends in housing production and mortgage interest rates have been such that less than 25% of all households can now afford a new single-family home.[4] The data presented in this report provides evidence that this trend is even stronger in boomtowns. Some of the contributing factors to this problem include lack of available or affordable land and building materials, high front-end costs, and increased labor costs due to competition for skilled labor needed for construction of energy projects.

Since most boomtowns are located in rural areas, they usually lack readily accessible building materials. Excessive importing and warehousing of building materials may result in periodic bottlenecks and shortages of available construction materials because small town building suppliers cannot afford to carry large inventories.

In many impacted communities, there is a lack of available land. Many boomtowns, such as Farmington, New Mexico and Rangely, Colorado, are land-locked by federally owned land and have no contiguous private land available for development. In other impacted communities, land speculators buy up available land as soon as industry development plans are announced or the energy firms own and control the available sites.

Primary infrastructure, such as water, sewer, and roads, needs to be in place before housing development can occur. The ability to bring new infrastructure on line by public provision has been a slow and uncertain process in these communities and in many cases the cost of the infrastructure adds substantially to the housing costs. For example, in Gillette, Wyoming, tap fees are $2,000 per house.[1]

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[1] Foothills Realty, Gillette, Wyoming.

[2] Reliance Realty, Price, Utah.

[3] Gladstone Associates, *Strategies for Balanced Growth and Development*, Gillette and Campbell Co., Wyoming. June 10, 1976, page 17.

[4] Moore, Keith, *Financing Options for Communities near Large Energy Developments*. Prepared for ROMCOE-FEA workshop, August 1976, Page 11.

In order for the housing construction industry in impacted communities to keep qualified workers in the home building industry, their wages must be kept in pace with wages in the mining industry and the plant construction work force. This competition for labor leads to higher wages, which are ultimately passed on to the consumer as higher housing costs.

Due to the combination of these factors and the fact that Federal Housing Administration and Farmers Home Administration have maximum loan limits on a single-family home of $45,000 and $33,000 respectively, many households are forced to purchase or rent mobile homes for lack of any other available and affordable housing options. Thus, mobile homes appear to be everywhere in boomtowns.

The interest on financing mobile homes can be as high as 17% per year but generally costs about 11% to 13%, and many times an individual is required to pay a prepayment penalty of 20%[2] on the unpaid balance if he eventually sells the home. Because mobile homes tend to depreciate at a faster rate than they can be paid off, many mobile homes are simply abandoned when occupants move away, and the loans are allowed to default.

The extent of the housing problem will vary depending on the magnitude and location of the development, the diversity of local economy, population size, growth rate, the extent of planning for boomtown impact, including mobile home development, and other factors. In addition, the demand for housing will be more easily met if energy development is located within commuting distance of a large community rather than in an isolated community.

TEMPORARY CONSTRUCTION WORKER HOUSING

The provision of temporary construction worker housing presents a different set of problems than permanent housing. The problem is that housing is needed immediately and in a substantial quantity as soon as construction begins. The construction work force for a 50,000 barrel per day oil shale processing plant may exceed 2,000 workers and the work force required to build a 500 Mw power plant can exceed 1,000 workers.[1] Compounding this problem is the fact that most entrepreneurs are not willing to invest large amounts of capital to build apartments or mobile home courts for temporary homes unless continued use of the facilities can be assured. The question raised is who should be responsible for providing temporary housing.

---

[1] Foothills Realty, Gillette, Wyoming.

[2] *Ibid.*

If temporary housing is not provided, many construction workers will be forced to commute long distances from larger cities, many haphazard trailer courts will spring up with inadequate water and sewer systems, neighboring towns will be inundated with additional population, and many construction workers will resort to living in tents or recreational vehicles. The net result is a decrease in the quality of life for all involved. The purpose of this report is to present a current picture of the housing problem in the western boomtowns, the existing mechanisms (both state and federal) available for combating the housing problem, and a series of recommendations to improve the situation.

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1. Bolt, Luna, Watkins, *Colorado Boomtown Financing Study*, volume 1, November, 1976, page 42.

CHAPTER II

DEFINING THE PROBLEM

ASSUMPTIONS AND METHODOLOGY

In order to present a more accurate picture of the housing problem, data was gathered on a state-by-state basis in impacted areas. The purpose of the data collection is not to portray empirically correct data but rather to ascertain the order of magnitude to show the extent of the housing problem in a real world context. This report considers seven states: Arizona, Colorado, Montana, New Mexico, North Dakota, Utah, and Wyoming. These states are all impacted by coal development to some degree.

In each state certain counties were identified as impacted. The counties identified were those which contained impacted communities as cited in a Federal Energy Administration study entitled *Region VIII Energy-Impacted Communities: Characteristics, Conditions, Resources, Structure*, or counties in which a large number of coal mines or power plants was planned for development as cited in a Department of the Interior study entitled *Projects to Expand Fuel Sources in Western States.*

Data gathered for the impacted counties in the states include:

1. Trends portraying residential construction in impacted counties from 1965 to 1975. This information was taken from the U.S. Department of Commerce Construction Reports. This information is found for impacted counties in each state in Appendix 1. It was collected to present a historical perspective of residential construction in impacted areas.

2. Population projections for the impacted counties. This information was collected from each state for designated impact counties to portray the magnitude of the expected population influx. The population projections include energy development as specified in the assumptions. The projections do not include energy development from oil shale or coal gasification unless otherwise specified. This information is found in Appendix 2.

3. The increase in the number of mobile homes in the impacted counties from 1970 to 1975. It is very

difficult to obtain an accurate count of mobile homes in the impacted counties, so the figures presented are rough estimates to portray the order of magnitude of the influx in mobile homes. The 1975 figures were obtained from county clerks or county assessors, and the 1970 figures were obtained from Table 62 of *The 1970 Census of Housing*.

4. The number of housing units needed to accommodate the projected population influx. These figures were derived from the population projections. It was assumed that for a net increase of 3.25 people, one additional housing unit was needed.[1]

5. The cost of housing currently available in the area. To determine this, a telephone survey was conducted in impacted communities. Local realtors were contacted in one or two impacted communities in each state to determine the cost of single-family homes and apartments in their communities.

6. The terms and conditions of mortgage interest rates in impacted communities. A telephone survey of savings and loan companies in impacted communities or the regional trade center in impacted areas was conducted to determine the terms and conditions of single-family home purchase and mobile home purchase in the area. This information, along with the information on housing costs, is found in Appendix 4.

7. An estimate of the average yearly income by occupational category for individuals working in impacted areas. The information was gathered from each state from ES202 reports published quarterly by the Department of Employment Security in each state. There are a number of limitations which must be kept in mind regarding the income data. The data presented on income in impacted communities is average wage data for occupational categories; thus the range of income levels in various occupational categories is not adequately represented. Non-aggregated data of this sort is very difficult to obtain. According to the *Construction Worker Profile*, 19% of all newcomer construction workers earn over $25,000 per

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[1] A telephone survey was taken to determine this on a state-by-state basis and boomtown location basis with no consistent or reliable data available. The 3.25 figure was used in a model developed at Los Alamos Scientific Laboratory. It was footnoted as follows: Arlene Leholm, F. L. Leistritz, and T. A. Hertsgaard, *Fiscal Impact of a New Industry in a Rural Area: A Coal Gasification Plant in Western North Dakota*, Seventh annual meeting, Mid-Continent Section. Regional Science Association, Duluth, MN. June 13, 1975.

year.[1] Yet this fact is not evident when examining this aggregated data. Another limitation of the data is the fact that the wage data is assumed to be a household's sole source of income. Thus it does not reflect bonuses, investments, interest on past savings, etc.

8. The number of individuals working in each occupational category. This information was gathered from the same source as above. This information, along with the wage data, is found in Appendix 4.

From the data collected, an affordable housing mix was determined as follows.

The number of housing units needed was derived from the population projections. The purchase price of a single-family home and mobile home was determined from the survey of housing costs. Based on local mortgage terms and conditions, the monthly principal and interest payments were determined. Added to this was a monthly figure for taxes and insurance based on a telephone survey. Monthly apartment rents were also determined from the survey of housing costs.

It was assumed that there are 1.2 wage-earners per household.[2] Based on this assumption, total yearly income and yearly and monthly disposable income per household were calculated. It was also assumed that a household is willing to spend one-fourth of its monthly disposable income for housing.[3] Based on this assumption, the amount of money available for housing payments for households in various income categories was determined.

The number of households in each income bracket is known, and it is assumed that the ratio of workers in each income bracket will remain constant. To determine affordable housing, the amount of money available for housing by households earning various incomes was compared with the cost of the housing in the area. Thus, the type of housing affordable to the household in a specific income bracket was determined.

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[1] Mountain West Research, Inc., *Construction Worker Profile, Final Report.* Old West Regional Commission, December, 1975, page 50.

[2] New Mexico State Planning Department, *Grants Uranium Study.* August, 1976. This assumption does not take into account the fact that the second wage-earner is not necessarily in the same income bracket as the first.

[3] This is a common rule of thumb, but it does not consider the fact that some households might prefer to spend more on housing or have no other choice but to spend more due to pressures of supply and demand.

Based on the total number of housing units needed, the housing option affordable to a particular income bracket was then multiplied by the percentage of households in that income group to determine the number of units of that housing type needed. This was done for each state in the study to determine an affordable housing mix for all households in impacted counties.

An example of the computations in one of the communities studied:

11,345	population increase projected in five-year period
÷ 3.25	average number of people per household
3,491	additional housing units to be needed

$13,141	is average annual wage in mining
x1.2	wage earners per average household
$15,770	total wages per average miner's household
-3,552	federal and state income taxes
$12,218	disposable income ($1,018 per month)

Assuming a miner spends one-fourth of disposable income for housing, he has $254 per month for housing. Housing costs in this area, as shown in Appendix 3, are $302 per month average for purchase of single-family residence, $175 for average apartment rental or $210 for purchase payments and site rental for average mobile home. Thus the miners in this area can afford apartment rental or mobile homes but not purchase of conventional homes.

ARIZONA

Apache and Navajo counties, in the northeast corner of the state, have experienced some energy impacts to date. The Black Mesa coal fields, which are suitable for strip mining, are located in these counties, and some major electric generating facilities have been built here, including the Cholla power plant at Holbrook in Navajo County and the Coronado power plant near St. Johns in Apache County. Both these power plants have expansions planned along with expansion of Black Mesa coal mining.

Nearly 70% of the geographic area in both counties is Indian land, and about 60% of the population is Indian. The largest town in Apache County is St. Johns, with a 1975 population of 1,838.[1] The towns in Navajo County are somewhat larger; Holbrook had a 1975 population of 5,093;[2] Winslow had a 1975 population of 7,663.[3] The two-county area suffers from a severe shortage of decent housing to begin with, so any population increase in the area will very likely compound the problem. Data was not available to depict past residential trends in the area.

With the building of four electric generating plants near Joseph City and Snowflake in Navajo County and near St. Johns and Springerville in Apache County, along with increased strip mining activity of Black Mesa coal on the Navajo Reservation north of these communities, population and the need for additional housing units is expected to increase as follows:

	1975	1980	1985	1990
Projected Population[4]	99,000	110,345	113,427	119,014
Number of Additional Housing Units Needed[5]		3,491	948	1,718

(The projections do not include population increases due to proposed coal gasification construction.)

The population trend represents a 11% growth rate from 1975 to 1980, a 3% growth rate from 1980 to 1985 and a 5% growth rate from 1985 to 1990. (For more detail regarding the projections, see Appendix 2, page 1.)

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[1] Information obtained from Northern Area Council of Governments (NACOG), Flagstaff, Arizona. Information based on 1975 special census.

[2] *Ibid.*

[3] *Ibid.*

[4] Both Apache and Navajo counties are large and contain dispersed Indian population

[5] Assume 3.25 people per household.

In the impacted area of the state the average price of a single-family home is $39,000, requiring a $302 monthly payment based on local mortgage terms, including taxes and insurance. Apartments in the area rent for $125 to $175 per month, and the monthly payment for a mobile home purchase, including space rental, taxes, and insurance, costs approximately $210. (For more detailed information on mortgage terms, local taxes, etc., see Appendix 3, page 1.)

Income data for various occupations in Apache and Navajo counties are as follows:

Occupation	Total Yearly Household Income[1]	Monthly Income Available for Housing Payments[2]	Number of Employees[3]
Mining	$15,770	$254	66
Construction	18,461	273	1,887
Manufacturing	12,092	199	2,022
Transportation/ communication/ utilities	12,936	212	1,144
Trade	6,930	117	3,250
Finance/ insurance/ real estate	8,972	140	347
Services	9,195	153	2,418

(For further information, see Appendix 4, page 1.)

Based on the housing costs and the incomes earned in the area, no households can afford to purchase a single-family home, 42% can afford to rent an apartment, 27% can afford to purchase a mobile home, and 29% cannot afford any of these three.

Based on the number of additional housing units needed, the following mix of dwelling types would satisfy demand in terms of affordability:

	1980	1985	1990
Single-family	0	0	0
Apartments	1,466	398	722
Mobile Homes	942	255	464
None of Above	1,012	275	498

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[1] Average wages x 1.2 workers per household.

[2] Assume a household is willing to pay one-fourth of its monthly disposable income for housing.

[3] Information is not included for Navajo County due to disclosure problems.

COLORADO

Colorado is experiencing energy impact in the western part of the state. The state is particularly rich in coal and oil shale resources. There are an estimated 230 billion tons of coal in the region, 10% of the nation's total.[1] The Piceance Creek Basin in northwest Colorado contains an estimated 600 billion tons of high-grade oil shale with in-place oil resources equal to 1.25 trillion barrels of oil equivalent.[2]

In 1974, Colorado ranked eleventh in the United States in oil production and fourth in production of U-308 "yellowcake" uranium.

The counties identified as experiencing the most energy impact include Garfield, Delta, Moffat, Jackson, Routt, and Rio Blanco. The communities within these counties which are experiencing the most significant increases in population due to energy development at present include Craig in Moffat County, Hayden in Routt County, and Carbondale in Garfield County.[3] The population increase in these three towns is due to coal mining. In Craig and Hayden, the population influx is also due to power generating plant construction. Paonia, Hotchkiss, Somerset, Rifle, Rangely, Meeker, and Oak Creek are other towns in these counties which are expected to experience rapid growth.[4] Grand Junction is the regional trade center for part of western Colorado and portions of eastern Utah. It is located some distance from major energy development, but it is expected to be impacted from commuting workers. Unlike the other communities previously mentioned which will be hard-pressed initially to accommodate added population, a town the size of Grand Junction may experience more positive impacts from rapid growth, including added capital and jobs, without experiencing the negative impacts.

A historical trend of residential construction in the impacted counties over the last ten years shows the relative increase in construction in the area as follows:

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1. U.S. Department of the Interior, *Energy Perspectives 2,* June 2, 1976, page 114.

2. Keith Murray, Minerals Fuels Section, Colorado Geological Survey, *Energy Resources of Colorado: Facts & Figures,* July 31, 1975, pages 1, 5.

3. Colorado Department of Local Affairs, *Colorado Prioritization of Energy-Impacted Communities,* January 1, 1977.

4. *Ibid.*

Number of Residential Construction Permits Issued

Year	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966
Permits	410	291	595	247	112	163	116	43	66	63

(For further detail, see Appendix 1, page 1.)

Residential construction doubled between 1971 and 1972, with the greatest increase in Moffat and Routt counties.

Due to lack of available housing units, mobile homes have been very prevalent in the impacted area. Between 1970 and 1975, mobile homes in Moffat County increased from 199 to 1,750, in Rio Blanco County from 216 to 317, and in Routt County from 234 to 700.[1] In Moffat County, the Craig area accounts for most of the additional mobile homes. The housing situation is very tight in Craig.

The projected population and housing needs for the impacted area of the state are as follows:

Year	1975	1980	1985	1990
Projected Population	60,562	63,045	67,000	72,048
Projected Housing Needs[2]		769	1,039	1,562

(For further detail, see Appendix 2, page 2.)

Based on the population projections, the impacted counties in the state are expected to experience a 4% rate of growth from 1975 to 1980, a 6% growth rate between 1980 and 1985, and a 7% growth rate from 1985 to 1990.

In northwest Colorado the cost of a single-family home ranges from $37,000 to $50,000, and monthly payments on an average house, including taxes and insurance, are approximately $404, based on local mortgage terms. Apartments rent from $200 to $250 per month for a two-bedroom unit, and a mobile home purchase would run about $239 per month, including space rental, taxes, and insurance. (For further detail on mortgage terms, local taxes, etc., see Appendix 3, page 2.)

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[1] The 1970 figures taken from Table 62, *Census of Housing*. 1975 figures obtained from county assessors.

[2] Assume 3.25 people per household.

In the impact area, incomes for various occupations are as follows:

Occupation	Yearly Household Income[1]	Monthly Income Available for Housing[2]	Number of Employees by Occupation
Mining	$22,479	$350	1,540
Construction	14,092	227	1,344
Manufacturing	11,291	187	822
Transportation/ communication/ utilities	13,447	218	1,183
Trade	7,092	119	4,658
Finance/ insurance/ real estate	9,572	158	858
Services	6,536	110	3,298

(For further detail, see Appendix 4, page 2.)

The housing problem in Colorado stems from the lack of available and affordable housing. Given the housing costs and incomes in the area, no households can afford single-family homes, 20% can afford apartment rentals or mobile home purchase, and 70% cannot afford any of these.

Based on the projected number of housing units needed, the following mix of dwelling types would satisfy demand in terms of affordability:

	1975-80	1980-85	1985-90
Single-family	0	0	0
Apartments and mobile homes	230	312	469
None of above	583	727	1,093

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1. Average wages x 1.2 workers per household.
2. Assumes a household is willing to pay one-fourth of its monthly disposable income for housing.

MONTANA

Montana is underlain by massive amounts of coal. It is estimated that 50 billion plus tons of strippable lignite and sub-bituminous coal exist under overburden of 300 feet or less in parts of eastern Montana.[1] Coal production in Montana has increased 400% since 1970.[2]

The principal impact area of energy development includes Big Horn, Custer, Musselshell, McCone, Powder River, Rosebud, Treasure, and Yellowstone counties in eastern Montana. The principal impact communities in these counties include Hardin, Decker, Miles City, Colstrip, Forsyth, Lame Deer, and Rosebud. These communities range in size from Miles City, with a population of roughly 10,000 down to communities as small as 200.

Two energy developments in Montana present unusual situations. First, Colstrip, the site of a large electric-generating facility, is a company town which provides permanent and temporary housing for its workers. The permanent housing provided includes 63 single family units a 167 unit trailer court, 107 single-family rental units, and 72 apartment units. The temporary housing includes 440 units in bachelor quarters or mobile units. There are plans for expanding the housing facilities to accommodate additional workers.[3] Second, most of the coal miners working at the Decker Coal Mine in Big Horn County live across the border in Sheridan, Wyoming. There is almost no housing available in Rosebud or Big Horn counties in Montana, nor are there any shopping or community services in Big Horn County.[4]

A historical trend of residential construction in Big Horn, McCone, Rosebud, and Custer Counties over the last ten years shows the relative increase in construction in the area as follows:

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1. Clack, Theodore, *Montana Energy Position Paper,* A Montana Energy Advisory Council Staff Report, June, 1976, page 7.

2. *Ibid.*

3. Information supplied to the Montana Coal Board from Montana Power/Western Energy Co. in October, 1976.

4. Draft EIS, East Decker & North Extension Mines, Decker Coal Co., page G-144.

Number of Residential Construction Permits Issued

Year	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965
Permits Issued	98	100	146	152	60	32	17	35	27	54	52

A further breakdown by county indicates that Custer County has experienced the most construction over the ten-year period, 1965-1975. Most likely, this construction has been occuring in and around Miles City. Big Horn County experienced the greatest rate of increase in residential construction. (See Appendix 1, page 2 for more detail.)

Mobile homes have increased in Rosebud County from 221 in 1970 to 1,130 as of June, 1976; in Custer County, mobile homes have increased from 263 in 1970 to 436 as of June, 1976.[1]

Population increases are expected to continue with coal development. The population and housing needs in the principal impact area which includes Big Horn, Custer, McCone, Musselshell, Powder River, Rosebud, Treasure, and Yellowstone counties are expected to increase as follows:

Year	1975	1980	1985	1990
Projected Population	141,200	158,300	178,200	199,200
Projected Housing Need[2]		5,261	6,124	6,461

(For further detail, see Appendix 2, page 3.)

This represents a 12% growth rate from 1975 to 1985 and a 10% growth rate from 1985 to 1990.

In the impact area, cost of a single-family house averages $40,000, requiring a monthly payment of approximately $337, including taxes and insurance and assuming local mortgage terms and conditions. Apartments rent for $150 per month, but there are extremely few in the area. A mobile home purchase runs approximately $213 per month, including space rental, taxes, and insurance. (For further detail on housing costs, mortgage terms, etc., see Appendix 3, page 3.)

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[1] 1970 figures taken from Table 62, *Census of Housing.* 1975 figures obtained from county assessors.

[2] Assumes 3.25 people per household.

The average income earned by individuals in various occupations is as follows:

Occupation	Total Yearly Household Income[1]	Monthly Income Available for Housing Payments[2]
Mining	$19,071	$284
Construction	19,258	288
Manufacturing	13,913	215
Transportation/ communication/ utilities	17,590	265
Finance/ insurance/ real estate	8,148	141
Trade	8,755	132
Services	7,082	215

(For further detail, see Appendix 4, page 3.)

From the data it is not possible to determine an affordable housing mix, because the number of individuals working in each occupation is unknown.

NEW MEXICO

The "four corners region" (the northwest part of the state) of New Mexico will be greatly affected by rapid energy development. This area includes all of McKinley and San Juan counties, as well as parts of Valencia and Sandoval counties. It is rich in coal and uranium deposits. The Grants Mineral Belt, a strip of land about 100 miles long and 20 miles wide extending from Gallup eastward to the Rio Puerco River, is the source of 43%[3] of the nation's uranium production. The state's second important energy resource is coal, which is primarily located in the same region as the uranium. The coal is particularly valuable due to its low sulfur content and its location in seams near the surface.

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[1] Average wages x 1.2 workers per household.

[2] Assumes a household is willing to pay one-fourth of its monthly disposable income for housing.

[3] New Mexico Governor's Energy Impact Task Force, *Managing the Boom in Northwest New Mexico (draft)*, 1976.

The principal communities which will be affected by rapid energy development include Farmington, a city of 33,450 located in the far northwest corner of New Mexico; Aztec and Bloomfield, two smaller communities near Farmington; Gallup; and Grants-Milan. Gallup is the major population center in McKinley County, and Grants-Milan is located in northern Valencia County.

The Navajo nation occupies a large part of this northwestern region, both in terms of land and population. The Navajo Reservation occupies approximately 40% of the land space in McKinley and San Juan counties. The Navajos account for 35% of the population in San Juan County and 61% of the population in McKinley County.

All of these communities' housing will be impacted, because none of the communities are prepared for the population increase.

Gallup suffers from high housing costs, problems with land annexation, along with the fact that local builders cannot keep pace with demand. It also has difficulty getting mortgage money.

Grants has been inundated with mobile homes because the supply of housing cannot keep pace with demand. Thirty percent of all housing units are mobile homes.[1]

In Farmington, substandard housing is a major concern. Farmington is already experiencing a severe housing shortage.

A historical trend of residential construction in McKinley, San Juan, and Valencia counties over the last ten years shows the relative increase in construction in the area as follows:

Total Number of Residential Permits Issued

Year	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966
Number of Permits	597	340	260	425	165	311	78	180	132	161

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[1] New Mexico Governor's Energy Impact Task Force, *Managing the Boom in Northwest New Mexico (draft)*, 1976.

(See Appendix 1, page 3 for more detailed information.)

Residential construction has accelerated at the most rapid rate in San Juan County.

There has also been a sizeable increase in the number of mobile homes in the area. In Valencia County alone, mobile homes increased from 1,388 in 1970 to 2,600 in 1975. (As of the summer of 1976, it was estimated that there were 3,000 mobile homes in the county.[1])

The population and additional housing units needed in the three-county area are expected to increase as follows:

	1975	1980	1985	1990
Population Projection	160,000	178,000	196,000	214,000
Number of Additional Housing Units Needed[2]		5,752	5,292	5,598

(See Appendix 2, page 4 for more detail.)

Based on these projections, this area of the state will experience a 10% rate of growth through 1990; thus there will be continual pressure on the supply of housing. With tremendous development opportunities in Albuquerque and Santa Fe, developers will not be inclined to launch housing projects in remote energy development boomtowns.

The cost of a single-family home in the impact area is approximately $50,000, which requires a monthly payment of $425 including taxes, insurance, and assuming local mortgage terms. Apartment rent runs about $205 per month, and the purchase of a mobile home requires about $176 per month, including space rental, taxes, and insurance. (For more detail on taxes, insurance, local mortgage terms, etc., see Appendix 3, page 4.)

The average incomes earned by families in various occupations in the three-county area are:

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1. Data for 1970 was obtained from the 1970 *Census of Housing* and the 1975 estimates were obtained from the county assessors.

2. Assumes 3.25 people per household.

Occupation	Yearly Household Income	Monthly Income Available for Housing[1]	Number of Employees by Occupation
Mining	$15,940	$254	6,244
Construction	13,807	223	4,509
Manufacturing	8,703	146	2,225
Transportation/ communication/ utilities	13,564	220	3,310
Wholesale Trade	11,234	185	1,523
Retail Trade	6,663	113	8,190
Finance/ insurance real estate	8,823	147	1,350
Services	6,644	114	5,548

(For further detail, see Appendix 4, page 4.)

Based on the housing costs and incomes earned in the area, no households can afford to purchase single-family homes, 43% of all households can afford apartment rentals, 15% of all households can afford mobile homes, and 42% of all households cannot afford any of these three housing options.

Given the number of additional housing units needed to accommodate the population influx, the following mix of housing types will satisfy demand in terms of affordability.

	1975-80	1980-85	1985-90
Single-family	0	0	0
Apartments	2,512	2,311	2,444
Mobile homes	230	212	224
None of above	3,048	2,804	2,967

NORTH DAKOTA

The lignite reserves of western North Dakota are part of the Fort Union coal area that extends northward into Saskatchewan and west and south into Montana, Wyoming, and South Dakota. It is estimated that there are about 16 billion tons of lignite reserves in North Dakota.[1] Most of this is surface coal which can be potentially recoverable by surface mining.

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[1] Assumes a household is willing to pay one-fourth of its monthly disposable income for housing.

Employment in the coal-energy industry in North Dakota has been projected to expand several fold over the next 25 years. By the year 2000, the industry could be one of the state's major employers.

The counties most impacted by the energy development include Burleigh, Morton, Mercer, McLean, Oliver. The impacted communities in these counties include the Bismarck-Mandan area, Center, Hazen, Stanton, Washburn, Buelah, Garrison, Turtle Lake, Underwood, and Wilton. The Bismarck-Mandan area is a community of 53,000 people while the other communities are smaller in size, ranging from 800 to 1,000 people. Thirty-five percent[2] of construction workers reside in the Bismarck-Mandan area and commute daily to work, while the remainder of construction workers live in the other towns mentioned. On the average, a construction worker commutes between 25 and 33 miles each way per day.[3]

On the other hand, North Dakota's coal miners and electric power plant operating work force have lived an average of 22 to 30 years in their present communities[4] and commute about 10 to 18 miles one way daily to work at the mines[5] and about 30 miles one way to the newer generating plants. These statistics have important implications when planning for an adequate supply of housing over the next 25 years.

A historical trend of residential construction in Dunn, McLean, Oliver, and Mercer counties over the last ten years shows the relative increase in construction in the area as follows:

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[1] U.S. Department of the Interior, *Energy Perspectives 2*, July, 1976, page 5.

[2] Leholm, Arlen, Leistritz, F. Larry, Weiland, James S., *Profile of Electric Power Plant Construction Work Force*, Dept. of Ag. Econ., NDSU, August, 1975, page 43.

[3] *Ibid*, page 24.

[4] *Ibid*.

[5] *Ibid*.

Number of Residential Construction Permits Issued

Year	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966
Permits Issued	99	127	40	98	47	80	59	20	37	41

(For more detail, see Appendix 1, page 4.)

In the past, McLean and Mercer counties experienced the most residential construction of the counties considered.

Population and housing needs projections for the impacted area are:

Year	1975	1980	1985	1990
Population Projection	91,508	105,649	116,147	123,792
Number of Additional Housing Units Needed[1]		4,265	3,230	2,564

(For further detail, see Appendix 2, page 5.)

This represents a 15% growth rate from 1975 to 1980, a 9% growth rate from 1980 to 1985, and a 7% growth rate from 1985 to 1990.

The cost of a single-family home in the impact area ranges from $48,000 to $52,000, requiring a monthly payment averaging $395 based on local mortgage terms, including taxes and insurance. A two-bedroom apartment in the area rents for $200 to $240 per month. The purchase of a mobile home costs about $195 per month, including space rental, taxes, and insurance. (For more detail, see Appendix 3, page 5.)

Average adjusted incomes earned by families working in various occupations in the impact area are:

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[1] Assumes 3.25 people per household. These figures represent aggregated data by state. The housing needs patterns vary greatly by county.

Occupation	Yearly Household Income[1]	Monthly Income Available for Housing[2]	Number of Employees by Occupation
Mining	$21,000	$310	298
Construction	17,593	262	1,453
Manufacturing	7,914	130	107
Transportation/ communication/ utilities	15,951	241	432
Wholesale/ retail trade	7,197	119	1,278
Finance/ insurance/ real estate	7,652	126	183
Services	6,512	108	859

(For more detail, see Appendix 4, page 5.)

Given the cost of housing and the incomes earned in the area, no households can afford to purchase a single-family home, 48% can afford to rent apartments or purchase mobile homes, and the remaining 52% cannot afford any of these.

Based on the additional number of dwelling units needed to accommodate the population influx, the following mix of housing types would satisfy demand in terms of affordability:

	1975-80	1980-85	1985-90
Single-family	0	0	0
Apartments and mobile homes	2,078	1,550	1,249
None of these	2,552	1,680	1,353

UTAH

Utah is experiencing energy development in the central, southern, and eastern parts of the state. The impacts are mostly from coal development, but certain counties are also impacted by other mineral development. Oil and gas production is prevalent in Carbon County, and Duchesne County is feeling the impact of oil shale development.

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[1] Average wages x 1.2 workers per household.

[2] Assumes a household is willing to pay one-fourth of its monthly disposable income for housing.

The counties included for study in this report are Carbon, Emery, Grand, Garfield, Uintah, Duchesne, and Kane. Impacted communities include Helper, Price, and Wellington in Carbon County. Price is one of the larger cities in the impacted area with a 1973 population of about 7,000.[1] Wellington and Helper have populations of 2,000 and 1,000, respectively, as of 1973. Price provides most of the professional and retail services for Emery and Carbon counties. When the Utah Power and Light Company began construction on the first unit of an 830 MW power generating plant in 1972 near the town of Huntington (about 20 miles from Price), Price absorbed approximately one-half of the construction work force (about 450 employees) and thus reduced the potential population impact.[2]

Most of the communities in Duchesne, Emery, Garfield, Sevier, and Uintah counties are very small, usually under 1,000 people, and it is anticipated that future energy development will have a significant effect on housing needs. As of July, 1975, there was a relatively high percentage of housing vacancies in some of these communities, but it is anticipated that these units will be absorbed as energy development progresses.

A historical trend of residential construction in the impacted counties over the last ten years shows the relative increase in construction in the area as follows:

Number of Residential Construction Permits Issued

Year	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966
Yearly Permits Issued	586	441	306	337	301	202	94	145	110	70

(For further detail, see Appendix 1, page 5.)

The most rapid increase in residential building has occurred in Uintah, Carbon, and Duchesne counties.

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[1] Federal Energy Administration, Region VIII. *Energy-Impacted Communities, Characteristics, Conditions, Resources, Structures,* 1975.

[2] Gilmore, John S., Coddington, Dean C., Duff, Mary K., *Socioeconomic Impact Study of Coal and Oil Shale Boomtowns,* Denver Research Institute, September, 1975, page D-7.

Mobile homes have increased in Emery County from 200 in 1970 to 1,500 in 1975 and in Carbon County from 128 in 1970 to 976 in 1975.[1] The increase in mobile homes may indicate that the housing stock has not kept pace with the housing need.

The impact is expected to continue with the building of the Utah Power and Light generating plant, Intermountain power plant, and the Alton-Warner project. The population projection and projected housing needs for the impact area are as follows:

Year	1975	1980	1985	1990
Projected Population	65,480	89,319	97,059	99,458
Additional Housing Units Needed[2]		6,950	2,398	739

(For further detail, see Appendix 2, page 6.)

This represents a 34% growth rate from 1975 to 1980, a 9% growth rate from 1980 to 1985, tapering off to 2.7% between 1985 and 1990.

A single-family home in the area costs approximately $50,000, with a monthly payment of $385 based on local mortgage terms, including taxes and insurance. Apartments and mobile homes rent for $250 to $300 per month, including space rental, taxes, and insurance. (For further detail regarding taxes, insurance, mortgage terms, etc., see Appendix 3, page 6.)

The average incomes of families working in various occupations in the area are presented in the following table:

Occupation	Yearly Household Income	Monthly Income Available for Housing	Number of Employees by Occupation
Mining	$18,098	$282	3,731
Construction	20,380	316	227

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1. In both cases the 1970 figures were obtained from Table 62 in the 1970 *Census of Housing* and the 1975 figures were obtained from the respective county assessors. The Emery County figure is an estimate; the Carbon County figure is an exact count taken in Summer, 1975.

2. Assumes 3.25 people per household. These figures represent aggregated data for all counties. The housing needs patterns vary greatly by county.

Occupation	Yearly Household Income[1]	Monthly Income Available for Housing[2]	Number of Employees by Occupation
Manufacturing	$13,585	$218	2,103
Transportation/ communication/ utilities	14,456	230	1,557
Wholesale Trade	6,531	110	5,214
Finance/ insurance/ real estate	9,433	156	589
Services	6,116	103	3,115

(For further detail, see Appendix 4.)

Given the cost of housing and incomes earned in the area, no household can afford to purchase a single-family home, 46% of all households can afford to rent apartments or mobile homes, or to purchase mobile homes, and 54% of all households can afford none of these.

Based on the projected housing needs of the incoming population, the following mix of housing types would satisfy demand in terms of affordability:

	1975-80	1980-85	1985-90
Single-family	0	0	0
Apartment, mobile home rental, mobile home purchase	3,197	1,103	340
None of these	3,753	1,295	399

WYOMING

Wyoming has substantial resources of coal, uranium, bentonite, oil, gas, and trona. During recent years, the state has experienced substantial growth, and it is expected to continue. In the past, probably the most impacted part of the state has been the southwest portion in Carbon, Sweetwater, Unita, and Lincoln counties. Rock Springs in Sweetwater County is probably the most classic case of a boomtown. From 1971 to 1974, Sweetwater

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[1] Average wages x 1.2 workers per household.

[2] Assumes a household is willing to pay one-fourth of its monthly disposable income for housing.

County experienced a 19% annual growth rate, more than doubling its population.[1]

Rock Springs suffered from an inadequate supply of housing, as was evidenced by the proliferation of mobile homes and inflated housing prices in the area.

Another area which will continue to be significantly impacted is the Powder River Basin encompassing Campbell, Converse, Johnson, and Sheridan counties in the northeast quadrant of the state. Eighty-nine and eight tenths percent of the strippable coal resources in Wyoming are located in this area.[2] Recoverable strippable coal reserves in Wyoming are about 25 billion tons, and underground reserves account for another thirty billion tons.[3]

Population is expected to increase in the Gillette area (Campbell County) between 10 and 16 percent annually.[4] The present overall vacancy rate for all types of housing in the Gillette urban area is estimated to be less than 1%, and a five- to six-fold increase in the annual demand for housing can be expected in the next five years.[5] Permanent households will be the predominant source of this demand, averaging 88 to 91 percent of total demand during this period.[6] The temporary household demand, while a modest proportion, can be expected to exert a pronounced pressure on the housing market for a short-term period.[7]

Currently, the supply of housing in Gillette is increasing rapidly, but there are a number of possible constraints, including the sheer volume of subdivision review, few builders with experience in large-scale development, the need to import building supplies, constant inflation, inability to get roads, water mains, and sewer in place, and the limited availability of capital.

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[1] John S. Gilmore, Mary K. Duff, *A Growth Management Case Study: Sweetwater Co., Wyoming,* Denver Research Institute, December, 1974.

[2] State Department of Economic Planning, *Coal & Uranium Development of the Powder River Basin-An Impact Analysis,* June, 1974, page 18.

[3] U.S. Department of the Interior, *Energy Perspectives,* June, 1976, page 113.

[4] Gladstone Associates, *Strategies for Balanced Growth and Development, Gillette and Campbell Counties, Wyoming,* June 10, 1976, page 17.

[5] *Ibid.*

[6] *Ibid.*

[7] *Ibid.*

A historical trend of residential construction in Campbell, Converse, Carbon, Lincoln, Johnson, Sheridan, and Sweetwater counties over the last ten years shows the relative increase in construction in the area as follows:

Residential Construction Permits Issued

Year	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966
Permits Issued Yearly	1183	920	1397	327	290	326	210	167	119	125

(For further detail, see Appendix 1, page 6.)

Notice the four-fold increase in residential construction from 1972 to 1973. Most of this increase has occurred in Lincoln and Sweetwater counties.

Mobile homes have increased by dramatic numbers in certain areas of the state. In Campbell County, mobile homes increased from 1,664 in 1970 to 2,300 in 1975, in Lincoln County from 274 in 1970 to 650 in 1975, in Sweetwater County from 451 in 1970 to 4,500 in 1975.[1]

With the continued expansion of coal mines and the building of additional power plants, population and housing needs in the impacted areas are expected to increase as follows:

Year	1975	1980	1985	1990
Projected Population	117,282	144,339	153,957	154,762
Additional Housing Units Needed[2]		8,231	2,961	247

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1. Information obtained from the 1970 *Census of Housing*, Table 62; 1975 figures obtained from the respective county assessors.

2. Assumes 3.25 people per household. The number of housing units needed in impacted counties in Wyo. is an aggregate of county data. The counties included are projected to experience increases as well as decreases in population, and all counties exhibit varying housing needs patterns (see Appendix 2.) The additional housing units needed represent a conservative estimate. Housing needs in these 6 counties may reach 14,671 permanent units and 5,299 temporary units according to the Wyoming Department of Economic Planning & Development.

(For further detail, see Appendix 2, page 7.)

The projections indicate that the impacted counties will experience a 23% growth rate from 1975 to 1980, which tapers off to 6% by 1985 and 0.05% by 1990. It is projected that several counties will experience increases and decreases in populations over time. For example, Sweetwater County is projected to lose 5,644 people from 1975 to 1980, gain 13,781 people from 1980 to 1985, then lose 5,723 from 1985 to 1990. Thus, there will be a need for temporary housing, such as recreational vehicle parks and mobile home parks, with temporary water and sewer systems to accommodate the temporary housing demand.

A medium-priced single-family home in Gillette costs $50,000, and a single-family home in Rock Springs costs approximately $40,000; the monthly mortgage payments in Gillette average $410, based on local mortgage terms, including taxes and insurance. A two-bedroom apartment rents for between $285 and $385 per month. A mobile home purchase costs about $197 per month, including space rental, taxes, and insurance. (For further detail regarding taxes, insurance, mortgage terms, etc., see Appendix 3, page 7.)

The incomes earned by families working in various occupations in the area are:

Occupation	Yearly Household Income	Monthly Income Available for Housing	Number of Employees by Occupation
Mining	$19,557	$318	8,512
Construction	18,891	308	7,739
Manufacturing	14,735	245	1,785
Transportation/ communication/ utilities	4,003	74	2,377
Wholesale Trade	12,316	207	877
Retail Trade	6,886	119	7,951
Finance/ insurance/ real estate	10,670	181	1,020
Services	5,674	99	2,439

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1. Average wages x 1.2 workers per household.
2. Assumes a household is willing to pay one-fourth of its monthly disposable income for housing.

(For further information, see Appendix 4, page 7.)

Given the cost of housing and the average incomes earned by individuals in various occupations in the area, no households can afford to purchase single-family homes, 49% of all households can afford to rent apartments, 12% can afford to purchase mobile homes, and 39% cannot afford any of these three housing options.

Based on the additional number of housing units needed, the following mix of housing types would satisfy demand based on affordability.

	1975-80	1980-85	1985-90
Single-family	0	0	0
Apartments	4,576	1,628	136
Mobile homes	250	89	7
None of these	3,494	1,243	136

ANALYSIS AND CONCLUSIONS

From the data it is evident that most of the energy development activity occurs in sparsely populated areas far from major population centers. For example, most of the impacted communities in Utah have populations under 1,000; Gillette, Wyoming had a population of 7,194 in 1970 before the boom hit; Craig, Colorado had a 1974 population of 6,000. The smaller the impacted area, the less able the community is to absorb the added population influx. If there is a larger city nearby, such as Price, Utah or Bismarck, North Dakota or Grand Junction, Colorado, that community can aid tremendously in relieving some of the stress placed on the local housing supply. Price absorbed approximately 50% of the construction work force from the building of the Utah Power and Light generating plant near the town of Huntington. Likewise, the Bismarck-Mandan area in North Dakota absorbed 35% of the construction workers employed in the neighboring impacted areas.

The data on past residential construction trends points out specific areas where construction has increased markedly. For example, from 1972 to 1973 residential construction increased five-fold in Sweetwater County, Wyoming, even more in Lincoln County, Wyoming. Other areas, including Custer County, Montana in 1972, Routt County, Colorado in 1973, and San Juan County, New Mexico from 1972 to 1974 have all experienced two- to three-fold residential construction increases.

Along with increases in residential construction, many of these areas have experienced an increase in the number of mobile homes. The increase in mobile homes in some of the energy-impacted communities from 1970 to 1975 was:[1]

	1970	1975
Emery County, Utah	200	1,500
Carbon County, Utah	128	976
Valencia County, NM	1,388	2,600
Campbell County, WY	1,664	2,031
Sweetwater County, WY	451	4,500
Moffat County, CO	199	1,750
Routt County, CO	234	700
Rosebud County, MT	221	1,130

Notice the 900% increase in mobile homes in Sweetwater County, Wyoming; up to 38% of the increase in mobile homes may be attributed to personal preference. Many construction workers prefer mobile homes, as compared to other housing types.[2]

In Rosebud County, Montana and Price, Utah, there are virtually no available apartments. In other impacted communities examined, availability of apartments is extremely limited.

In all the impacted counties considered in this report, housing costs have increased significantly, but some communities are suffering more from high housing costs than others. Housing costs in Gillette are the highest in any of the communities studied, with a 1,200 square-foot, three-bedroom home costing $50,000 or more. In the impacted communities in Colorado, Utah, New Mexico, and North Dakota, a 1,200 square-foot, three-bedroom home costs $45,000-$50,000, while in Montana and Arizona the same house would cost about $40,000. Mortgage terms for a conventional loan for a single-family home purchased in most of these communities are generally 20 to 30 years, with 9% to 9½% interest and a 20% down payment. For a mobile home purchase, the mortgage terms are generally 10 to 12 years at 11% to 15% interest and generally 15% to 20% down payment. Many of the financial institutions in impacted communities are not FHA-approved lenders.

According to the income data, there is a big discrepancy between wages paid in construction and mining industries, as compared with other industries. Typically the wages paid to persons in construction and mining industties average $12,000 to $18,000 per year, while

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1. Information was obtained from the respective county assessors as referenced in the state-by-state data.

2. Mountain West Research, Inc., *Construction Worker Profile, Final Report,* a study for the Old West Regional Commission, December, 1975, page 103.

most other wage earners average below $10,000 per year. Therefore, some miners and construction workers may be able to afford single-family homes but in the short run cannot find available housing. In the long run, those who will have the worst problem obtaining suitable housing are those who work in the service sector, such as teachers, fire fighters, and police officers. They are hurt by inflation but do not reap the benefits of higher wages. The elderly members of the community also are hurt by local inflation. Oftentimes the elderly are offered what they consider a good price for their homes by newcomers. They then sell their homes and discover that they cannot purchase other homes in the area with the money received.

Another factor which influences the housing picture is the manner in which the housing is provided, such as company towns or Indian reservations. Indian reservations cover 50 to 60 percent of the mineral-rich area in northeast Arizona and northwest New Mexico. The housing problem is compounded in these areas because the reservations are characterized by a shortage of adequate housing and the prevalance of substandard housing, even before development occurs. On the other hand, in a company town such as Colstrip, Montana, where the company will either build housing itself or provide a guarantee for the development of housing, pressure on housing supply can be greatly reduced.

Based on the population projections, many of the communities in Arizona, Colorado, Montana, North Dakota, New Mexico, Utah, and Wyoming are going to continue to feel the pressure of growth associated with energy development. The growth rates for the impacted counties in these states are as follows:

	1975-80	1980-85	1985-90
Arizona	11%	3%	5%
Colorado	4%	6%	7%
Montana	12%	12%	10%
New Mexico	12%	10%	9%
North Dakota	15%	9%	7%
Utah	34%	9%	2.7%
Wyoming	23%	6%	0.05%

According to these data, impacted areas in several states will experience a 10% or greater growth rate. This is normally judged as extreme boom pressure.

Under this type of pressure, many factors may delay the orderly housing production process, including the constant upward pressure on costs of land, labor, and capital, the need for infrastructure being in place, the ability to attract builders, the availability of capital, and a communities' banking relationship (for sale of mortgages to secondary markets) with the larger financial centers in the region, such as Denver, Salt Lake City, and Minneapolis for the northern states.

Based on the income and housing cost data, in some communities residents will not be able to obtain affordable housing. According to the data, from 29% to 70% of boomtown residents cannot purchase a conventionally built single-family home, rent an apartment, or rent or buy a mobile home at an affordable cost based on the monthly household budget.

The remainder of this report will analyze federal, state, and local programs available to assist in the provision of housing. The report will conclude with a series of possible strategies to aid in remedying the situation.

CHAPTER III

STATE, FEDERAL AND LOCAL PROGRAMS FOR PROVIDING HOUSING

Because of the unique problems associated with boomtowns, the traditional approach for providing housing does not work or works inefficiently at best; therefore, state and federal programs can provide useful aid. This chapter summarizes and analyzes state and federal programs which can possibly aid in insuring an orderly supply of housing in boomtowns.

FEDERAL HOUSING PROGRAMS[1]

The federal housing programs considered in this report include the Farmers Home Administration Programs (FmHA) and programs administered by the Department of Housing and Urban Development.

The FmHA programs which can be used in boomtowns include the Section 502-Homeownership Loan Program, and Guaranteed Single Family Housing Loan, the Section 515-Rural Rental Housing Program, and the Section 504-Home Repair Program.

Section 502 provides direct loans as well as loan guarantees to families to purchase an existing or newly constructed structure or to build, rehabilitate, or relocate a single-family dwelling. The direct loans are available to families who do not have sufficient resources to provide credit for a dwelling on their own and cannot obtain credit elsewhere. The loans are available to low income families with income not exceeding $8,500 and moderate income families with income not exceeding $15,600. The maximum direct loan under the 502 program is $35,000.

As of January, 1977, FmHA authorized $500 million under the 502 program for guaranteed single-family housing loans. FmHA will provide the loan guarantee service through local lenders such as VA and FHA loans. The loans carry 33-year terms at an 8 percent (current) interest rate. The maximum income limitation is $15,600 (adjusted family income) with a $33,000 maximum loan.

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1. Part of the information on Federal Housing Programs was researched by Don Rapp, Resource Planner, WGREPO. The remainder was excerpted from a HUD publication, *Housing Task Force Report,* prepared for Wyoming DEPAD, 1/77.

The authorized FY 77 levels of funding for the FmHA loan guarantee program available not only in boomtowns but throughout the states are:[1]

Arizona	$4 million	New Mexico	$4 million
Colorado	$4 million	North Dakota	$3 million
Montana	$3 million	South Dakota	$3 million
Nebraska	$3 million	Utah	$3 million
Nevada	$3 million	Wyoming	$3 million

The loan and eligibility limitations pose serious constraints in boomtowns. The qualifying income limitation is a problem, because over 68% of the households of newcomer construction workers associated with energy development report annual incomes from $12,000 to $25,000 per year.[2]

A $33,000 loan limit is a problem in view of the inflated cost of housing in boomtowns. A 1,200 square-foot home sells for about $50,000 in most of the impacted communities.

Thus in order to use FmHA housing loans a family would be required to pay a very large down payment. Since this is not possible for most families, they could be forced to use conventional loans with less favorable terms.

The Section 515-Rural Rental Housing Program is divided into two parts: subsidized loans and non-subsidized loans. The former provides loan subsidies to non-profit sponsors at interest rates as low as 1 percent on the condition that the investor agrees to rent his units to low income families at monthly rates which pass along to tenants the financial benefit made possible by the low interest rate. Non-subsidized loans are offered to all sponsors at a current 9 percent interest rate to encourage construction of housing units in areas of critical need without stipulation of monthly rental rates. The size and cost of such units are expected to serve low and moderate income families. This program has the moderate income eligibility constraint of $15,600 adjusted income as the Section 502 program.

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1. FmHA Announcement No. 440, Sept. 23, 1976. Also *Federal Register*, Vol. 41, No. 210, Oct. 29, 1976.

2. Mountain West Research, Inc., *Construction Worker Profile - Final Report,* Old West Regional Commission, December, 1975.

The Rural Rental Program has been plagued with funding problems that have often led to under-utilization of it in many western states. Federal impoundments of appropriated funds combined with an inability to accurately predict state-authorized levels in advance of actual announcements has seriously handicapped implementation of the program by FmHA. As a result, sponsors could not be serviced in an orderly administrative process that could take advantage of an otherwise popular program concept.

The most recent appropriations under the combined "Subsidized and Non-Subsidized Authorization" provided under the Rural Rental Housing Program for WGREPO member states are:[1]

Arizona	$ 3 million	New Mexico	$ 3 million
Colorado	$ 4.7 million	North Dakota	$ 6.9 million
Montana	$ 6 million	South Dakota	$12 million
Nebraska	$ 3 million	Utah	$ 3 million
Nevada	$ 3 million	Wyoming	$ 3 million

The large appropriation to South Dakota is the result of an aggressive program pursued over a long period of time. It was derived from an outstanding record of long-range planning and a low delinquency rate among clients. The South Dakota appropriation is divided into just over $10 million for subsidized housing and just under $2 million for non-subsidized housing loans.

The final applicable FmHA Program is Section 504-the Home Repair Program. It provides loan and grants to persons with adjusted family incomes less than $10,000 per year. These loans are designed to assist families who need essential repairs, such as cooking, heating, and toilet facilities. The loans carry a one percent rate for a maximum of 20 years.

The Department of Housing and Urban Development (HUD) administers housing programs. Most HUD programs are not direct loans, as FmHA loans, but insured loans. HUD also provides housing subsidies.

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1. Obtained from the Rural Housing Specialist, FmHA Denver. Office.

The major HUD/FHA insured loan programs include the Section 203(b)-HUD/FHA standard single-family loan program, Section 235-Home Ownership for Lower Income Families Program, Section 221(d)(4)-Multi-Family Rental Program, and the Section 202-Elderly Loan Program. The major HUD subsidy program is the Section 8 Housing Assistance Payments Program.

The most visible HUD/FHA insured loans are part of the Section 203(b) program. This program provides mortgage insurance to finance or purchase one to four family homes. The maximum insurable amount is $45,000 for a single-family dwelling. The mortgage terms are 30 years or 1/3 of the remaining economic life. The current interest rate is 8.04 percent (December, 1976) plus ½ percent for an insurance premium. These mortgages are sold on the state or national secondary mortgage markets which reduce long term commitment of local capital.

The Section 235 program provides home ownership assistance to lower income families in the form of monthly payments to the mortgage lender. Families earning 95 percent of the median income in the area and below are eligible. The loan limit for a three-bedroom home is normally $25,000.

The Section 221(d)(4) program provides financing for construction or rehabilitation of rental housing containing five or more units. The loan limits per unit are based on the type of structure: for elevator apartments, the loan limits range from $20,962 per studio unit to $41,493 per four-bedroom unit; for all other types of apartments, the loan limit ranges from $18,450 per studio unit to $34,845 per four-bedroom unit.

If widespread use of FHA insured loans is anticipated, certain time-consuming factors should be planned for. FHA requires periodic construction inspections, a final inspection, credit checks, and a much heavier load of paperwork than private mortgages. The scarcity of mortgage bankers and savings and loans in rural impact areas decreases the outlook for using FHA mortgage insurance programs.

The HUD Section 202 Elderly Program provides direct loans rather than mortgage insurance to non-profit mortgagors for up to 100 percent of the development cost of elderly housing.

The Section 8 program provides housing assistance payments to lower income families. The program establishes a schedule of fair market rents for each housing area throughout the nation. The Section 8 program does not provide construction or permanent financing. It does provide a renewable long-term commitment of housing assistance payments (HAP). HAP contracts can be pledged as security for mortgage loans. Such contract rents can be increased during the term of the contract if the owners' expenses increase from general increases in real property taxes, utility rates, or similar costs.

Section 8 housing has been used in boomtowns, at the beginning of the boom to provide housing for elderly people. This in turn frees their previous housing to be used by the incoming population. Section 8 housing·assistance is available for an individual earning 80% of the median income in the area with 20% of the program to serve the "very low income" group who earn 50% or less of an area's medium income.

The most universal complaint heard among state and local officials in many WGREPO member states is the arbitrary administration of the HUD Section 8 program. Local recommendations are solicited by HUD, as required by the regulations before making distribution of Section 8 allocations and soliciting HAP contracts between communities within a state or subregion of a state. However, state and locally supported planning groups in North Dakota, Utah, New Mexico, and Colorado have all complained that their locally developed planning is ignored in favor of unilateral decisions by HUD. Further, when such changes in program administration occur, local planning groups are not consulted or given the benefit of information that guides HUD's decision.

The HUD Community Block Grant Program is a significant housing program because it has combined seven existing categorical grant authorizations into a single block grant authority. The program provides a simplified program application procedure and for the first time provides a means wherein housing development may be coordinated with the provision of public facilities and social services in a given neighborhood or community. As far as western boomtowns are concerned, this program has not been very useful. The program is designed to commit 80% of its funding to cities with a population over 50,000. The remaining 20% of the funds are reported to be quickly secured by population centers or counties surrounding the metropolitan areas. This program places little emphasis on the needs of rapid growth areas.

All of these programs could be made more useful in aiding boomtown housing. None of these programs specifically earmark funds for rapid growth areas. The programs must be changed in some respects to be applicable to the specific needs of boomtowns.

Changes needed include raising the income and loan limits to reflect the local rate of inflation and increasing the level of funding for these programs in order to provide the magnitude of front end capital required in a boomtown. Also the capital should be available in a timely manner in order to prevent the problem rather than to delay action until the situation is critical.

STATE HOUSING PROGRAMS

In WGREPO states several courses of action are being taken to deal with the housing problem in boomtowns. Housing finance agencies have been adopted in Colorado, Montana, New Mexico, Utah, Wyoming and one is being proposed for North Dakota.

A state housing finance agency (SHFA) is a vehicle to channel money to areas lacking adequate mortgage funds. It does this by issuing tax-exempt revenue bonds, and using the proceeds to purchase, or otherwise invest in, residential mortgages for low and moderate income families and housing developments. These agencies usually are self-supporting, because there is an operating spread between the "bond rate" of interest paid on revenue bonds and the "mortgage portfolio rate" received on the mortgages purchased.

In most cases, SHFAs are established as independent agencies so that the issuance of bonds does not constitute an obligation of the state, although Montana's Board of Housing is attached to a state agency and Utah's SHFA is established as a division of its Department of Community Affairs. Until recently very few of the housing authorities in the WGREPO states have been operational, due to pending litigation to test their constitutionality. Colorado, Montana and New Mexico SHFAs are operational, and Utah anticipates issuing bonds this year. Wyoming's HFA is of a more expanded scope than in the other states. Wyoming created the Wyoming Community Development Authority (WCDA) which, when operational, will function as a housing finance agency as well as being authorized to loan money to political subdivisions for the purpose of developing civic and water projects. Under the WCDA, there are no low and moderate income limitations.

Some of the programs undertaken by SHFAs are:

1. Direct Loans to the Developer

Most states with state housing finance agencies have the power to raise funds by issuing tax exempt revenue bonds. The agency can then make money available at slightly above the tax-exempt rate for direct loans to low- and moderate-income housing developers or sponsors. The state housing agency retains the power to limit the developer's rental and other charges, put a ceiling on the developer's profits and fees, and control the sponsor's disposition of the property. This program provides the actual addition of mortgage dollars into an area that has little or no appeal to conventional lending sources.

In order for this program to be economically viable, there is a need for high occupancy rates (usually 95%) over the terms of the mortgage for these projects to break even and a reserve fund (or moral obligation) to protect the bond investors.

2. Seed Money Loans

These are generally interest-free or low interest loans to non-profit and public housing sponsors. They help defray early development expenses, such as land option costs; attorney, architect, and consultant fees; and other initial expenses. The seed money loan is usually repaid from proceeds of the construction mortgage or rehabilitation loan. Most of these loans are funded from a revolving fund set up by an initial appropriation from the state legislature.

3. Secondary Mortgage Markets

Housing Finance Agencies are becoming involved in indirect financing activities. The two main programs in use, mortgage purchase and loan-to-lenders, are designed to increase the amount of mortgage capital in the market and enable states to provide an inflow of funds in periods of tight credit. Under both of these programs, the lower interest rates achieved through tax exempt financing is passed on to the primary lender and ultimately the borrower. SHFAs have fostered indirect financing as a quick and efficient way to get mortgage money to the consumer.

a. Mortgage Purchase Program: The state housing agency generally purchases either a variety of residential first mortgages or only federally insured or guaranteed mortgages from the lending agency, which then reloans the proceeds. With the exception of the Wyoming CDA, these loans are restricted to low and moderate income households. Another variation is the "forward commitment" mortgage purchase program where the SHFA commits to purchase new mortgage loans made according to the SHFA's requirements.

b. Loans to Lenders Programs: The loans-to-lenders programs involve low interest loans to mortgage lending institutions, which in turn, make new residential mortgage loans to low- or moderate-income mortgagors for single family housing within a specified period of time. The agency borrows at tax-exempt rates and lends to the originating institutions at a rate only slightly in excess of the borrowing cost. Collateral for the loans usually consists of federally insured or guaranteed mortgages and any other highly "liquid" collateral. These loans extend only a short period of time from ten to fifteen years.

Both types of secondary mortgage operations attempt to increase liquidity in the mortgage market. The housing finance agencies are empowered to regulate maximum interest rates on new loans resulting from the additional funds that they have made available. The low or moderate income requirements make these programs inapplicable to boomtown residents. The people in need of housing at the onset of the boom are the miners and construction workers who earn relatively good incomes.

4. Development Powers

At least thirteen agencies in non-WGREPO states including Hawaii, Maine, Delaware, Illinois, Maryland and Michigan are empowered to acquire and assemble land to be used for low and moderate income housing. They have the power to participate directly in the development of housing in addition to having the financing powers previously discussed.

* * *

Other powers designated to the various state housing agencies include: the power to act as housing authorities under the federal public housing programs, the power to establish subsidy programs for low income residents, the power to provide housing sponsors with technical advice and consultation about the procedures of housing development and management, and the power of eminent domain. None of the WGREPO state HFAs have the power of eminent domain, but there is a possibility that a change in Internal Revenue Service regulations may require that state HFAs have the power of eminent domain to maintain tax exempt status.

Chart 1 summarizes major programs and provisions of WGREPO state HFAs.

LOCAL HOUSING AUTHORITIES AND HOUSING DEVELOPMENT CORPORATIONS

Local housing authorities (LHAs) and Housing Development Corporations (HDCs) are related mechanisms to provide housing to low and moderate income households. A local housing authority is authorized to issue notes and bonds to finance the acquisition, construction, improvement, or rehabilitation of property. It may acquire or lease real property and it may borrow money on its bonds and make loans and grants to non-profit organizations to develop

CHART 1

STATE HOUSING FINANCE AGENCIES

	Colorado	Montana	New Mexico	Utah	Wyoming
	Housing Finance Agency	Board of Housing	Mortgage Finance Agency	Housing Finance Agency	Community Development Authority
Programs Authorized	Loan to lenders; mortgage purchase; permanent construction loans	Technical assistance; veterans housing; loans to lenders; mortgage purchase; direct loans	Loan to lenders; mortgage purchase	Mortgage purchase; loans to LHAs; rehabilitation loans; technical assistance	Loans to lenders; mortgage purchase; direct loans; capital improvement loans
Debt Authorized	$200 million	$75 million	$30 million	No Limit	$100 million
Programs Financed	Loans to lenders: $50 million construction loans: $34 million	Mortgage purchase: $21.5 million	Loans to lenders: $20 million	None	None
Security of the Bonds	Mortgages; Federal insurance or guarantees	Reserve fund; Mortgages; moral obligation; FHA insurance	Mortgages; FHA insurance	Mortgages; moral obligation; capital reserve; FHA, VA, PMI	Moral obligation; reserve fund; mineral severence tax fund

Continued

CHART 1, PAGE 2

	Colorado	Montana	New Mexico	Utah	Wyoming
	Housing Finance Agency	Board of Housing	Mortgage Finance Agency	Housing Finance Agency	Community Development Authority
Eligibility	Low and moderate income	Low and moderate income	Low and moderate income	Low and moderate income	Low and moderate income
Income Limitations	$14,300 adjusted gross income	$16,000 adjusted gross income	$17,000 adjusted gross income	Median state income	None
Agency Status	Independent	State Agency attached to Montana Department of Community Affairs	Independent	Within Utah Department of Community Affairs	Independent

low and moderate income housing. The LHA further has the power to receive and distribute federal funds for housing. The LHA is exempt from local, state and federal taxation; therefore, it can provide housing at below market cost. However, the LHA usually make payments in lieu of taxes to local governments. The advantages of LHAs are numerous but the main advantage is that the LHAs have many financing, development and management advantages open to them.

The Housing Development Corporation (HDC) is an incorporated, non-profit, organization established to provide a wide range of housing services to low and moderate income families, individuals and other organizations wishing to sponsor low-income housing. The HDC can act as developer, sponsor and/or manager of housing. The HDC can provide a variety of services which can aid in developing housing. It may provide technical services and assistance at reasonable fees and it can assist non-profit sponsors in construction or rehabilitation and management of low or moderate income housing. The HDC also can administer a revolving loan fund which could provide low rate, short term "seed money" for project development and short-term funds for property or land acquisition, which would be recovered by the mortgages when financing occurs.

The primary means of financing an HDC is through donations from private and public organizations. Once a revolving fund is established, the funds would be replenished from charges for services and reinvested in new services.

HOUSING PROGRAMS IN VARIOUS WGREPO STATES

ARIZONA

Arizona is in the process of developing its housing role. At this time, the state does not have any agency specifically assigned the responsibility for housing. The Arizona Department of Economic Security has held several conferences in the last year and a half which were designed to assist in the development of a state housing program. Responsibility to develop a statewide housing plan has been directed to the Office of State Planning and Development.

A bill introduced in the state legislature in 1975 to establish a state housing finance agency was soundly defeated. The bill would have established a housing finance agency with powers to issue bonds solely to conduct a loan-to-lenders program. In the 1976 state legislature a bill was introduced to set up a housing agency with no bonding capacity, its sole purpose being to organize properly to seek federal funds for housing programs. This bill also was defeated, but a similar bill may be reintroduced in the 1977 legislative session.

COLORADO

In 1970 the state legislature created a Division of Housing within the Department of Local Affairs. Among other responsibilities, the division has the following functions: research into housing standards and codes, modular housing and programs for low income housing designed to discourage concentrations of low income people; assistance in the establishment and operation of local and regional housing authorities; and the development of standards for certification of factory-built housing.

The Housing Division operates a grant fund. The appropriation for the fund has ranged from $250,000 in 1973 and 1974 to $2 million in 1974. One million dollars has been appropriated for 1977, of which $600,000 is to be used in rural areas and $400,000 in urban areas. This money is available to non-profit public and private sponsors and is to be used to serve low income housing needs throughout the state. The grant fund can provide up to 50% of a project's cost, and the project can be new or rehabilitated housing, owner-occupied, or rental. There is no minimum or maximum size of grant specified in the legislation. Past funded projects have included housing for farm workers and the elderly, and subsidizing the total cost of HUD Section 8 projects so that the rents are below the maximum.

In 1973 the legislature established the Colorado Housing Finance Authority (CHFA) as a quasi-public agency. The CHFA can issue bonds and notes for long and short term financing, directly or through other public or private financial institutions. Approximately 75% of the units in a project must be for low and moderate income families and persons, with at least 25% of the units being made available to low income families and persons. Maximum family income of $14,300 per year after deductions is considered moderate. While there is no legislative requirement that a specific percentage of program activity go into rural areas, the CHFA has indicated a commitment to be active in rural Colorado.

The legislature has provided appropriations for administration and the CHFA is operational. Presently, $50 million of bonds have been sold to finance the loan-to-lenders program and $34 million of bonds have been sold to finance construction loans. The mortgage purchase program has not been financed to date due to a legal question.

MONTANA

In 1975, the state legislature established a Department of Community Affairs (DCA) which incorporates a housing division which had existed previously in a different agency. The DCA through the Housing Division is given the responsibility to conduct research into housing need, to make recommendations for legislation and administrative means to alleviate housing problems, to disseminate information on available housing resources, and to promote research and development of housing.

The Housing Division is working closely with local governments to assess housing needs. It is working closely with the administration of the Coal Board and planning some experimental approaches to deal with impacts in coal areas.

The Housing Division provides technical assistance to local governments and local public and non-profit agencies attempting to develop housing. The Housing Division has aided the eastern part of the state through Action for Eastern Montana, a group which provides technical assistance to local governments and individuals. The Housing Division also promoted the development of the Montana Housing Development Corporation, a statewide operation to expand the use of federal housing programs in the state.

Largely through the efforts of the Housing Division, the state legislature in 1975 created a board of housing which is attached to the Department of Community Affairs for administrative purposes. The Board of Housing is a housing finance agency with the power to issue tax exempt notes and bonds to raise funds to be used in a loan-to-lenders program, a mortgage purchase program and a direct lending program.

The Board of Housing recently received a favorable court decision regarding the constitutionality of the Board to issue bonds and is operating a mortgage purchase program with the first bond issuance of $21.5 million.

The current maximum income level to be served by the Board of Housing's activities is $16,000 annual adjusted gross income. The adjustments are 5% deduction from gross income plus a $300 deduction for each dependent child.

The Housing Board is working closely with the Montana Coal Board, a state impact agency set up to administer funds generated from the coal severance tax for impact mitigation. The two boards will possibly lever some of the Housing Board's bond funds for impact areas. Legislation to move the Board of Housing from the Department of Community Affairs to Administration is currently proceeding through the Legislature and presumably will be effective July 1, 1977.

NEW MEXICO

In 1971 the New Mexico legislature created seven regional housing authorities to blanket the state but it did not provide funds to make those authorities operational. In 1975 the legislature created a State Housing Authority and a State Housing Finance Agency but provided no program funds for either agency or administrative funds for the state housing authority.

The State Housing Authority is empowered to establish and implement state housing goals; to conduct research into housing problems; to provide information and technical assistance; to finance the cost of preparation, acquisition, construction, repair, or lease of any project approved by the authority; to coordinate federal and state housing programs; and to cooperate with existing organizations in an effort to secure all available assistance for rural low income housing.

In 1975 administrative funds were provided to the state and regional housing authorities and the first task of the State Housing Authority was to activate the regional authorities to seek federal funds. The State Housing Authority is training eleven indivduals to process loans and has submitted a bill to the state legislature to set up seven centers in the state to take advantage of federal programs.

The New Mexico Mortgage Finance Authority is separate and apart from state government, although its board is appointed by the governor. The MFA is authorized to administer a loan-to-lenders and a mortgage-purchase program. Funds are provided through the issuance of tax exempt bonds which are not backed by the moral obligation of the state. Bonding authority is limited to $30 million.

On December 15, 1976, the MFA went to the bond market to sell $20 million worth of bonds solely to fund a loan-to-lenders program. The income limitation for individuals participating in the loan-to-lenders program is set at $17,000 adjusted gross income. No designated percentage of activity is directed to rural areas.

Another quasi-state housing organization in New Mexico is the statewide Housing Development Corporation (HDC), funded through a grant from the Community Services Administration. When staffed, the HDC will provide technical assistance and training to non-profit housing sponsors of low income housing developments.

NORTH DAKOTA

North Dakota is in a unique position to aid in financing housing because it operates the only state bank in the United States and it is highly unlikely that any other state will set up a similar system. It operates under its own dominion and serves both state and individual banking needs. The bank provides assistance in the form of a mortgage interest supplement program. The bank provides reduced interest rates as low as 6% to a homeowner who cannot afford mortgage payments with 20 to 25% of his adjusted gross income. Terms of the mortgage interest supplement are for six years with the supplement decreasing so that by the sixth year an interest rate competitive with FHA will be charged. The interest supplement is available for mortgages up to $35,000 on housing costing not more than $40,000, for thirty years, to families earning up to $15,000 adjusted income. Adjusted income is defined as 95% of gross income minus $300 per child.

A bill was recently defeated in the 1977 North Dakota state legislature to establish a North Dakota housing finance agency within the Bank of North Dakota. The agency would have been authorized to conduct a loan-to-lenders and mortgage-purchase program, a home improvement rehabilitation program, an apartment development program, and seed money loans. The bill specified no limit on the amount of bonds that the agency can issue. However, the credit of the state bank would have provided inherent limitation.

North Dakota also has developed a statewide Economic-Demographic (ED) Model as part of their Regional Environmental Assessment Program (REAP) to project economic and social changes which will accompany major resource development programs. The model is able to describe the impact of proposed industrial developments on:

> the functioning of the state's economy;
>
> the state's population composition and distribution;
>
> labor force utilization in various geographic regions;
>
> the financial activities of governmental units;
>
> such socioeconomic indicators as per capita income and employment level.

This type of information is critical when planning for energy impacts.

UTAH

Utah established in 1971 a Department of Community Affairs which contains a Housing Development Division. The Housing Development Division provides technical assistance to sponsors of low income housing as well as local government. This activity has included assistance in establishing and/or servicing 14 rural housing authorities and assistance in the FmHA application process for non-profit housing sponsors such as the Utah Migrant Council and the Weber Davis Corporation, both of whom are involved in housing for migrants and seasonal farm workers. It also administers a small revolving seed money loan fund.

The Housing Development Division also has administered a $3 million housing grant program in fiscal year 1974 and fiscal year 1975 and a half-million dollar grant program in fiscal year 1976. Most of these funds have been used as down payment grants for low income housing and for housing rehabilitation. The program has been designed to aid both urban and rural housing. A bill is pending in the legislature to appropriate $3 million for fiscal year 1977.

The Housing Development Division also is involved in planning for energy development. It is identifying and assessing all impact areas of the state. The State of Utah has placed emphasis on developing comprehensive plans under its federally sponsored 701 planning process in energy-impacted rural areas.

During 1975 the state legislature created the Utah State Housing Finance Agency within the Department of Community Affairs with the executive director of the DCA as the chairman of the agency. The Utah HFA has the power to issue notes and bonds and to set up a mortgage-purchase program. The HFA has not been operational due to legal review concerning its constitutionality. The court case is now through district court and it is anticipated that bonds may be sold by the summer of 1977. Income eligibility and mortgage limitations presently are being set.

The legislature has loaned the agency $300,000 to establish a capital reserve fund, which the agency is obliged to repay in an unspecified manner. The fund is to be used to secure the repayment of principal and interest on bonds and notes issued by the HFA. The legislature also appropriated $200,000 for operating expenses.

WYOMING

Wyoming, until recently, had no agency responsible for housing. Early in 1975 the Wyoming legislature created the Wyoming Community Development Authority (WCDA) to finance both housing and capital improvements, including civic and water projects.

WCDA is authorized to lend money to the state and any of its agencies, as well as to cities, counties, towns, school districts, and other forms of local government for the purpose of acquiring civic and water projects. The term "civic project" includes sewer facilities, roads, streets, highways, schools, airports, hospitals, parking facilities and swimming pools.

WCDA also is authorized to undertake mortgage-purchase and loan-to-lenders programs.

Financing of these programs is by issuance of tax exempt bonds and notes which are backed by the moral obligation of the state and by a reserve fund generated from money received from a one-half of one percent excise tax levied on extraction of trona, coal, petroleum, natural gas, oil shale, and other minerals. The WCDA is limited to $100 million in bonding authority. It will authorize between $20 to $30 million for its housing program. The backing of the reserve fund makes the bonds readily marketable at favorable interest rates.

The WCDA legislation was not designed to serve only low and moderate income levels. Its primary focus is to enable political subdivisions to borrow money to meet capital needs caused by industrial impacts primarily caused by, but not limited to, mineral development.

The WCDA legislation presently is facing legal review to determine its constitutionality. At the time this report went to press, the WCDA had received a favorable decision in the district court. In the meantime, the State Planning Department is doing research pertaining to housing finance and demand. The planning department will continue to work closely with the WCDA once it becomes operational.

SUMMARY AND CONCLUSION

As was evident from the data presented in Chapter II, the housing supply in boomtowns is severely limited and the housing that is available is extremely costly.

Yet there are no federal or state housing programs, except in Wyoming, designed to deal with these specific problems. The federal and state housing programs (other than in Wyoming) are designed to aid individuals earning low to moderate incomes and the loan limitations for a single family home purchases under FmHA and FHA programs are $33,000 and $45,000 respectively. Miners and construction workers cannot take advantage of state and federal housing programs because their incomes are too high and the loan limitations under the FmHA and FHA Programs for single family homes are too low when compared to the high cost of housing in boomtowns.

Boomtowns lack available front-end capital because the financial needs of these communities normally exceed locally-generated funds. There will be a need to build from 1,000 to 6,000 additional housing units every five years in each of the states studied. This will require $50 million to $300 million per state in front-end capital every five years, not to mention the cost of rehabilitating existing housing to meet the needs of the households already living in substandard housing in boomtowns. In northwest New Mexico, 55% of the existing housing is substandard. Yet the combined federal and state appropriations for all housing programs in most of the WGREPO states does not approach the magnitude of capital necessary to provide adequate housing in boomtowns alone.

Several states have programs to help provide boomtown housing but no state has a panacea. The Wyoming CDA, when operational, is probably the most innovative program to date for providing capital. Even if half of the WCDA's initial authorization of $100 million is sold and earmarked for housing, it will produce money for only about 1,200 mortgages at $40,000 each.

North Dakota is in a unique position to aid in financing housing because it operates a state bank. Through the bank, an interest supplement program is offered for low interest loans to families who cannot obtain credit elsewhere.

Several states are involved in gathering accurate information necessary to plan for impacts. Types of data necessary to plan for an adequate supply of housing include: the expected number of construction and operating personnel coming into the area; the time frame in which different phases of construction are to proceed; the types, cost and number of housing units in the impacted area; the income distribution of the incoming personnel; their housing preference, etc. Besides collecting data, this effort can include development of models and projections as well as coordination of existing data sources.

The following chapter presents a variety of ideas which could be adopted by the states to provide partial or complete remedies to the problems of risk, high cost, and needed capital to provide adequate housing in boomtowns.

CHAPTER IV

Housing Strategies for Boomtowns

This chapter presents a series of strategies to deal with the housing problem in boomtowns. These are strategies which the states themselves could adopt as new legislation, a modification of existing legislation or could be secured by changes in federal legislation. WGREPO states display a wide range of philosophies concerning development and the need for mitigation of impacts associated with energy development, as well as a wide range of techniques presently being used to mitigate problems associated with impact. Thus, the states may wish to pursue different strategies for dealing with housing boomtown problems based on their differing needs and philosophies. The strategies presented in this chapter provide a wide range of possible options which individual states may wish to consider.

MODIFY AND UTILIZE FEDERAL HOUSING PROGRAMS

Until a federal energy policy may be clearly articulated, the existing federal programs related to housing and energy impact could be modified to allow adequate flexibility for use by states in dealing with energy impact problems. Suggested modifications to the HUD and FmHA programs might include:

1. Income and loan limitations for HUD and FmHA might be raised to a level which takes into account boomtown housing prices.

2. A time limit for processing applications for federal housing funds could be incorporated into federal housing programs. Speed is essential in processing applications for funds in boomtowns, because inflation causes project costs to increase 15% to 20% each year that they are delayed.

3. Any program funds made available on the basis of census information should use present rather than prior census information.

4. Since state housing finance agencies prefer to deal only with FHA approved lenders, more financial institutions in impact areas should become FHA approved lenders. This may require FHA to modify its capital and reserve requirements in some cases to be more flexible in approving lenders. As an alternative to modifying FHA capital and reserve, FHA could provide financial institu-

tions regular training in FHA techniques and in mortgage underwriting and provide greater assistance in speeding the processing time required for mortgage insurance or guarantee by federal agencies.

5. Western states should lobby in Congress for changes in the Community Block Grant Program regulations to permit greater use of the program by rural rapid growth communities. Presently 80% of the funds must be used by communities over 50,000 population.

6. Conceivably, Section 317 of the Federal Land Policy and Management Act could provide significant amounts of capital for boomtown housing. Under this Act the Department of Interior (DOI) is permitted to extend loans to states and communities impacted by the development of minerals on federal land against states' future shares of mineral revenues. The loans can be used for "public facilities," which apparently do not now include housing. The loans can be used for infrastructure, such as sewer and water systems, which are a necessary component of the housing production process. Regulations governing this Act are presently being drafted by DOI. Since boomtown housing is considered to be a major impact problem, and federal money is not specified exclusively for this purpose elsewhere, it would be advantageous to write these regulations to include housing as an allowable use of loan money.

7. One federal agency should be designated as the lead agency to coordinate existing federal programs to aid in the resolution of social and economic problems associated with energy impacts. President Carter has stated his intentions of integrating all energy activities into one federal energy agency. In this agency a specific program needs to be designed to deal exclusively with boomtown housing. This program should include: (1) eligibility criteria to reflect the needs of boomtowns; (2) the provision of money in anticipation of the impacts; and (3) requirements for planning by the states for permanent and temporary workers, including planning for the size of infrastructure to accompany the housing developments and planning for the community when temporary workers leave the town.

MODIFY STATE HOUSING PROGRAMS

Possible modifications of existing state housing finance authorities to allow them to be more active in impact problems include:

1. Allowing income and loan limitations to be variable, reflecting local inflation rates.

2. Placing a greater emphasis on assistance to remote rural communities.

3. Placing a greater emphasis on assistance to builders of multi-family homes. There is an apparent lack of multi-family dwellings in boomtowns in many instances. Multi-family units provide a less costly housing alternative in boomtowns than single family homes and should be encouraged. The lack of multi-family dwellings stems from problems in securing financing. In order to become involved in multi-family dwellings, a SHFA would need some federal insurance or guarantee or the SHFA would have to provide insurance.

4. States can become more active in coordinating planning and reviewing building code standards, mobile home regulations and standards, subdivision regulations and zoning regulations with local agencies to make certain that these regulations are not making the housing development process inefficient. The sheer volume of review activity can cause delays and bottlenecks extending construction and development time periods.

5. States should continue to develop accurate baseline data concerning the size and timing of population influx, supply of existing housing, availability of local capital, income levels of the incoming population, their locational and commuting preferences and plans for staying in the area.

6. States can provide technical assistance to local communities to set up local housing authorities to seek federal funds and to maximize local resources.

STATE BOND BANKS

The bond bank provides a means through which several small, not generally known and therefore weaker, credits of individual communities can be combined into a single bond issue to secure a lower net interest cost on public improvement bonds to reduce expenditures. This combination enhances the likelihood that these communities will be able to sell their bonds in large municipal bond markets. Otherwise, the bonds of these communities often at best, have only local markets.

State bond banks have been a very popular concept on the east coast. They could serve as a vehicle for attracting capital to boomtowns although they may present problems for the following reasons:

1. Too many of the securities of impacted communities serviced by the bond bank are not of investment grade and would therefore drag down the marketability of the bond bank's securities;

2. In view of this situation, there would be a need for additional collateral for the debt securities which would be issued.

It would be useful for officials involved in housing in the impacted states to review the programs of existing state bond banks, such as the Maine bond bank or the Maryland CDA, to determine the applicability of this concept to a western state.

CDA APPROACH

The Wyoming Community Development Authority (WCDA) represents the first systematic effort to deal specifically with impact problems through a municipal finance mechanism which combines the bond bank and housing finance agency approach. The WCDA, when operational will be able to issue its own bonds to provide loan money to political subdivisions of the state for the purpose of acquiring civic and water projects as well as undertaking two mortgage loan programs. Financing of these programs is by issuance of tax exempt bonds and notes collateralized by two reserves, one generated from the proceeds of the issuance and the second from a pledge of a portion of the state's fossil fuels and trona excise tax. The bonds issued by the WCDA are payable from the revenues generated by the housing loans and the municipal projects financed by the WCDA. It is assumed that the WCDA will be able to tap national capital markets. The WCDA's potentially broad revenue base, given Wyoming's extensive proven coal reserves, does not totally exempt the WCDA from bond bank problems previously discussed. This concept is presently being tested to determine its constitutionality in Wyoming. The concept can be developed in other WGREPO states, but may be subject to some legal problems including:

1. the extent to which the issuance of revenue bonds is for a public purpose;

2. the extent to which "unrelated excise taxes" can be pledged to the payments of revenue bonds; and

3. limitations on indebtedness and the lending of credit.

MORTGAGE AND BOND GUARANTEE PROGRAMS[1]

Perhaps a program guaranteeing municipal bond obligations of communities or mortgages made under a loan-to-lenders program could be guaranteed by an entity created by the state. Such entity could be patterned upon the FHA and VA loan guarantee program.

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[1] Refer to a publication entitled *Housing Finance, Implications for the State of Wyoming,* prepared by the Dept of Economic Planning & Development, March, 1977 for further information concerning mortgage financing.

REAP APPROACH

REAP refers to the Regional Environmental Assessment Program developed by the State of North Dakota. REAP provides a comprehensive system for environmental, socioeconomic, and sociological data acquisition monitoring and analysis. Through the REAP economic-demographic (E-D) model, integrated assessments of impacts can be conducted. The E-D model can predict changes in the state's population, tax base, and economy associated with energy development. The model is very flexible and allows the user to analyze the impact of a series of alternate industrial developments based on different timing, location, and population assumptions. In order to successfully mitigate any problem, not only housing, associated with energy development, it is necessary first to develop accurate and timely information at the local level to determine the magnitude of the problem and the nature of assistance required.

LOCAL HOUSING AUTHORITIES (LHAs) AND HOUSING DEVELOPMENT CORPORATIONS (HDCs)

Both of these mechanisms have been used with some success in facilitating housing production in boomtowns and should be encouraged for future use. LHAs can be created only in accordance with state enabling legislation. All of the states considered in this report have enabling legislation which gives the LHA some power to purchase, sell or lease property. LHAs have been especially useful in the provision of elderly housing. This is advantageous because it frees up their prior housing.

The same type of activity could be undertaken by forming a non-profit corporation, usually referred to as a HDC. This was the procedure followed by the Basin Electric Power Cooperative to provide housing for workers involved in the construction of the Laramie River Station in Wheatland, Wyoming.

SITING AUTHORITY

All states considered in this report except Colorado and Utah presently have some type of legislation controlling siting of major energy facilities. Permits are issued only if the state siting authority finds that the impacts, as specified in the legislation (environmental as well as socioeconomic), are mitigated to the degree specified in the legislation. The degree of authority exerted by the various siting authorities in the WGREPO states varies greatly. Siting legislation is an effective way to assure that industry becomes involved in the process of impact mitigation. To be effective in mitigating housing impacts, a siting permit should:

1. be required for major industrial facilities in the state;

2. include, as a condition for a permit, a plan to mitigate the housing impact associated with the development;

3. require the applicant to disclose data specifying the timing and magnitude of population influx and to provide some funding for planning and feasibility studies.

4. require the applicant either to supply or pay the costs of technical assistance to local communities and work with local builders;

5. require the applicant to buy land at pre-boom prices for later sale to the city, developers, or local housing authority for housing developments; and

6. require the applicant to provide a guarantee of mortgages or bonds or a letter of credit to guarantee bonds sold to provide capital for housing development.

ROLE OF INDUSTRY

If resource development companies want access to energy resources badly enough, they should assume part of the risk for financing community development. Through siting requirements specified above the companies should be required to assume part of the risk in the early stages of development. This would be to the advantage of the industry in the long run, because it would aid in the provision of timely community development. In several cases including the Missouri Basin Power Project in Wheatland, Wyoming, industry has voluntarily taken the lead in providing housing. Industry can aid in providing housing by entering into contracts with developers to guarantee sales, or assuming the role of developers and in effect, subsidizing the price of units by not charging a large profit.

LAND ASSEMBLAGE TECHNIQUES

Many boomtowns are landlocked by federal land which makes land assemblage for housing and community facilities difficult. Another problem with land assemblage for housing developments is land speculation. Several possible strategies for states to deal with this problem are:

1. The states should use Section 206 of the Federal Land Management and Policy Act, passed on October 22, 1976, which authorizes the Secretary of the Interior to exchange a tract of public land needed by a community for expansion, recreation, food, fish, and wildlife needs, etc., for a

tract of non-federal land of equal value elsewhere in the same state. It must be determined that the public land exchanged will be of greater public benefit in non-federal ownership than federal ownership. The Secretary of Agriculture is also granted this authority for land in the National Forest System. Regulations governing this legislation have not yet been developed, so no transfers have actually taken place. Prior to this legislation, there was no convenient way to make transfers administratively feasible.

2. A housing finance agency or community development authority or local housing authority could be granted the power to buy, sell, or lease land and the power of eminent domain.

3. The industrial developer could be required to offer some of its land at pre-boom prices or provide long term leases for the land for housing development to avoid speculation. This land could be resold at pre-boom prices to developers, the city, or local housing authority.

INNOVATIVE HOUSING TECHNOLOGY

Modular housing units produced in factories and transported to the site are less costly than traditionally built homes. A 1,000 square-foot modular unit including land and water and sewer tap fees costs about $30,000 in the Meeker, Colorado, area, as opposed to a similar standard unit costing about $36,000.[1]

Operation Breakthrough, a project sponsored by the Department of Housing and Urban Development, made significant inroads into cost reduction techniques in the manufacturing of housing.

States can encourage factory built homes by adopting building and zoning codes which specifies industrial performance standards in their building codes rather than minimum property standards. Some western states do not permit their localties to adopt building codes and zoning regulations. Communities in other states have adopted codes and regulations but they are not standardized throughout the state. This can cause builders added expense and time delays who must modify their housing plans from community to community. In states which permit communities to adopt building and zoning codes, attempts should be made to simplify and standardize these codes. The states without building codes and zoning should adopt minimum performance standards for new construction.

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[1] Gilmore, John S., et. al. *Analysis of Financing Problems in Coal and Oil Shale Boom Towns.* Denver Research Institute, November, 1975.

A FINAL COMMENT...

The data presented in this report shows that many new residents moving into boomtowns will find it impossible to secure adequate housing through the normal operations of the housing industry. In this concluding chapter, some suggestions are made for ameliorating the problem through the use of devices already known and to some extent tested.

It is evident, however, that more must be done. New approaches--in construction and in finance--must be found to provide decent homes and a wholesome social environment in small towns which suddenly grow large.

Appendix 1, Pg 1

COLORADO Residential Building Permits Issued, by County

S = Single Family Unit
D = Duplexes, Triplexes
A = Apartments
T = Total

Counties	1975				1974				1973				1972				1971			
	S	D	A	T	S	D	A	T	S	D	A	T	S	D	A	T	S	D	A	T
Garfield	54	14	0	68	21	0	4	25	23	8	86	117	30	2	12	44	31	4	6	41
Delta	30	18	0	48	83	31	0	114	25	0	0	25	40	2	0	42	27	0	0	27
Moffat	118	8	61	187	43	2	0	45	34	11	35	80	10	4	0	14	4	6	0	10
Jackson	4	0	0	4	10	0	0	10	15	0	0	15	16	0	0	16	0	5	0	5
RioBlanco	44	0	0	44	30	0	18	48	12	7	0	19	16	0	0	16	5	0	0	5
Routt	59	0	0	59	49	0	0	49	186	16	137	339	22	26	67	115	12	6	6	24
Totals				410				291				595				247				112

Counties	1970				1969				1968				1967				1966			
	S	D	A	T	S	D	A	T	S	D	A	T	S	D	A	T	S	D	A	T
Garfield	52	4	50	106	14	0	10	24	8	4	0	12	25	4	8	37	23	6	7	36
Delta	20	0	0	20	69	0	0	69	15	0	0	15	10	0	0	10	8	0	0	8
Moffat	4	0	0	4	3	4	0	7	3	0	0	3	6	0	0	6	7	0	0	7
Jackson	2	0	0	2	3	0	0	3	-	-	-	-	-	-	-	-	-	-	-	-
RioBlanco	4	0	0	4	2	0	0	2	3	0	0	3	5	0	0	5	2	0	0	2
Routt	9	0	18	27	11	0	0	11	10	0	0	10	8	0	0	8	6	4	0	10
Totals				163				116				43				66				63

From U. S. Department of Commerce, Construction Reports, Table 4.

Appendix 1, Pg 2

MONTANA Residential Building Permits Issued, by County

S = Single Family Unit
D = Duplexes, Triplexes
A = Apartments
T = Total

Counties	1975				1974				1973				1972				1971			
	S	D	A	T	S	D	A	T	S	D	A	T	S	D	A	T	S	D	A	T
Big Horn	24	4	0	28	32	0	24	45	12	0	8	20	3	0	0	3	8	0	0	8
McCone	5	0	0	5	5	0	0	5	2	0	0	2	3	0	0	3	3	0	0	3
Custer	52	4	0	56	33	0	0	33	4	0	0	4	33	6	100	139	44	0	0	44
Rosebud	9	0	0	9	17	0	0	17	9	8	0	17	7	0	0	7	5	0	0	5
Totals				98				100				146				152				60

Counties	1970				1969				1968				1967				1966			
	S	D	A	T	S	D	A	T	S	D	A	T	S	D	A	T	S	D	A	T
Big Horn	5	0	0	5	3	2	0	5	3	0	0	3	1	0	0	1	1	0	0	1
McCone	3	0	0	3	-	-	-	-	-	-	-	-	23	0	0	23	22	0	0	22
Custer	16	0	0	16	12	0	0	12	25	0	0	25	23	0	0	23	22	0	0	22
Rosebud	8	0	0	8	-	-	-	-	2	4	0	6	2	0	0	2	25	0	0	25
Totals				32				17				35				27				54

From U. S. Department of Commerce, Construction Reports, Table 4.

Appendix 1, Pg 3

NEW MEXICO Residential Building Permits Issued, by County

S = Single Family Unit
D = Duplexes, Triplexes
A = Apartments
T = Total

Counties	1975				1974				1973				1972				1971			
	S	D	A	T	S	D	A	T	S	D	A	T	S	D	A	T	S	D	A	T
McKinley	76	2	0	78	55	8	7	70	32	0	0	32	48	0	14	82	16	82	0	98
San Juan	224	2	0	78	156	10	60	226	142	7	72	221	87	7	207	301	50	2	14	66
Valencia	96	0	0	96	8	36	0	44	0	7	0	7	42	0	0	42	1	0	0	1
Totals				597				340				260				425				161

Counties	1970				1969				1968				1967				1966			
	S	D	A	T	S	D	A	T	S	D	A	T	S	D	A	T	S	D	A	T
McKinley	10	0	200	210	21	0	0	21	34	3	0	37	47	3	0	50	101	0	4	105
San Juan	35	0	48	83	36	4	0	40	47	0	0	47	39	0	0	39	40	0	0	40
Valencia	18	0	0	18	17	0	0	17	42	4	50	96	43	0	0	43	16	0	0	16
Totals				311				78				180				132				161

From U. S. Department of Commerce, Construction Reports, Table 4.

NORTH DAKOTA Residential Building Permits Issued, by County

S = Single Family Unit
D = Duplexes, Triplexes
A = Apartments
T = Total

Counties	1975				1974				1973				1972				1971			
	S	D	A	T	S	D	A	T	S	D	A	T	S	D	A	T	S	D	A	T
Dunn	6	0	0	6	2	0	0	2	1	0	0	1	4	0	0	4	6	0	0	6
Mc.Lean	39	2	0	41	22	0	40	62	10	0	0	10	11	4	0	15	12	0	0	12
Oliver	-	-	-	-	-	-	-	-	3	0	0	3	5	0	0	5	10	12	0	22
Mercer	48	3	0	41	27	11	13	62	16	0	0	26	24	0	0	24	7	0	0	7
Totals				99				127				129				48				47

Counties	1970				1969				1968				1967				1966			
	S	D	A	T	S	D	A	T	S	D	A	T	S	D	A	T	S	D	A	T
Dunn	-	-	-	-	0	4	0	4	2	0	0	2	3	0	0	3	11	8	0	19
McLean	11	0	0	11	15	0	0	15	10	0	0	10	13	4	0	17	14	9	0	23
Oliver	3	4	0	7	-	-	-	-	5	0	0	5	8	0	0	8	13	4	0	17
Mercer	2	0	0	2	18	0	0	18	22	2	0	24	12	20	20	52	1	2	0	3
Totals				21				37				43				80				59

From U. S. Department of Commerce, Construction Reports, Table 4.

UTAH Residential Building Permits Issued, by County

S = Single Family Unit
D = Duplexes
A = Apartments
T = Total

Counties	1975				1974				1973				1972				1971			
	S	D	A	T	S	D	A	T	S	D	A	T	S	D	A	T	S	D	A	T
Emery	-	-	-	-	-	-	-	-	2	0	0	2	0	0	0	0	4	0	0	4
Carbon	89	6	0	95	64	2	32	98	62	4	0	66	48	4	8	60	51	6	0	57
Duchesne	98	0	0	98	61	8	0	69	48	8	0	56	39	30	6	75	22	8	12	42
Kane	38	0	0	38	41	0	0	41	38	0	0	38	54	0	0	54	17	0	0	17
Garfield	11	3	0	14	12	0	0	12	7	0	0	7	9	0	0	9	24	0	0	24
Grand	67	0	0	67	9	0	0	9	10	0	0	10	16	0	3	19	12	0	0	12
Uintah	274	0	0	274	126	24	62	212	109	18	0	127	98	14	8	120	145	0	0	145
Totals				586				441				306				337				301

Counties	1970				1969				1968				1967				1966			
	S	D	A	T	S	D	A	T	S	D	A	T	S	D	A	T	S	D	A	T
Emery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Carbon	32	0	0	32	13	4	0	17	19	2	0	21	17	2	0	19	10	0	0	10
Duchesne	19	2	0	21	2	0	0	2	7	4	0	11	18	0	0	18	10	0	0	10
Kane	21	0	0	21	7	0	0	7	13	0	0	13	26	0	0	26	6	0	0	6
Garfield	7	0	0	7	-	-	-	-	6	0	0	6	2	0	0	2	7	0	0	7
Grand	26	0	0	26	49	0	0	49	76	0	0	76	22	0	0	22	5	0	0	5
Uintah	95	0	0	95	19	0	0	19	18	0	0	18	23	0	0	23	32	0	0	32
Totals				202				94				145				110				70

From U. S. Department of Commerce, Construction Reports, Table 4.

Appendix 1, Pg 6

WYOMING Residential Building Permits Issued, by County

S = Single Family Unit
D = Duplexes, Triplexes
A = Apartments
T = Total

Counties	1975				1974				1973				1972				1971			
	S	D	A	T	S	D	A	T	S	D	A	T	S	D	A	T	S	D	A	T
Campbell	63	9	113	185	86	18	106	210	39	4	60	103	24	4	0	28	16	0	0	16
Converse	116	18	16	150	62	4	0	66	19	6	0	25	25	0	0	25	15	0	0	15
Carbon	59	0	0	59	55	0	0	55	23	8	42	73	19	4	8	31	7	2	17	26
Lincoln	43	0	0	43	37	0	0	37	411	85	151	647	21	0	6	27	29	0	0	21
Johnson	29	8	24	61	40	0	0	40	9	0	0	9	20	0	0	20	21	0	0	21
Sheridan	83	6	0	89	37	6	0	43	20	10	0	30	53	0	20	73	40	0	0	40
Sweetwater	496	132	68	596	217	148	104	469	394	58	58	510	123	0	0	123	107	12	24	143
Totals				1,183				920				1,397				327				290

Counties	1970				1969				1968				1967				1966			
	S	D	A	T	S	D	A	T	S	D	A	T	S	D	A	T	S	D	A	T
Campbell	83	0	0	83	67	14	0	81	40	0	0	40	23	0	0	23	9	0	0	9
Converse	22	0	0	22	12	0	0	12	3	0	5	8	2	0	0	2	2	0	0	2
Carbon	8	0	0	8	8	0	0	8	11	0	0	11	2	0	0	2	5	0	0	5
Lincoln	16	0	0	16	8	0	0	8	9	0	0	9	11	3	0	14	10	0	0	10
Johnson	12	0	0	12	1	0	0	1	11	0	8	19	16	2	0	18	12	0	0	12
Sheridan	11	0	24	35	13	4	0	17	23	0	0	23	14	4	0	18	14	6	30	50
Sweetwater	93	2	55	150	83	0	0	83	55	2	0	57	28	2	12	42	21	16	0	37
Totals				326				210				167				119				125

From U. S. Department of Commerce, Construction Reports, Table 4.

ARIZONA Population, Housing Projections by County

Population Projections by County[1]

	1975	1980	1985	1990
Apache	41,000	45,586	46,066	47,887
Navaho	48,000	64,759	67,361	71,127
Total	99,000	110,345	113,427	119,014

Net Increase in Population

	1975-80	1980-85	1985-90
Apache	4,586	480	1,821
Navajo	6,759	2,602	3,766
Total	11,345	3,082	5,587

Number of Additional Housing Units Needed

	1975-80	1980-85	1985-90
Apache	1,411	147	560
Navaho	2,080	801	1,158
Total	3,491	948	1,718

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[1] Projections are from *Alternate Futures #2* of the Arizona Economic Demographic Projections Model. This projection includes the expansion of the Cholla Power Plant, a coal-fired power plant located in Navaho county, and expansion of Black Mesa coal mining. No gasification is included.

[2] Assumes 3.25 people/household.

COLORADO Population, Housing Projections by Counties

Population Projections by County*

	1975	1980	1985	1990
Garfield	17,954	19,727	21,537	23,691
Jackson	2,735	2,432	2,337	2,262
Moffat	7,272	7,413	7,793	8,252
Rio Blanco	5,318	5,315	5,528	5,788
Routt	10,736	10,658	10,946	11,427
Delta	16,547	17,500	18,860	20,628
Total	60,562	63,045	67,000	72,048

Net Increase in Population

	1975-80	1980-85	1985-90
Garfield	1,773	1,810	2,154
Jackson	- 303	- 95	- 75
Moffat	141	380	459
Rio Blanco	- 3	213	260
Routt	- 78	- 288	481
Delta	953	1,360	1,678
Total	2,483	3,380	5,047

Number of Additional Housing Units Needed [2]

	1975-80	1980-85	1985-90
Garfield	545	556	662
Jackson	-93	-29	-23
Moffat	49	117	141
Rio Blanco	-1	65	80
Routt	-24	-88	148
Delta	293	418	554
Total	709	1,039	1,562

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*Taken from *Colorado Population Trends,* Volume 5, No. 1, Division of Planning. High population trends are used, increased energy development is assumed, although the development of oil shale would alter the projections. These projections are considered to be low by the respective counties, because they do not incorporate the local development needs. The counties are in the process of developing new figures. The new figures for Moffat County and the Craig area are expected to vary considerably from the above projections according to the Northwest C.O.G.

[2] Assumes 3.25 people per household. The negative numbers represent decreases in the number of housing units needed. It is assumed that a large part of the temporary demand for housing will be met with mobile units.

MONTANA Population, Housing Projections by County

Population Projections by County[1]

	1975	1980	1985	1990
Big Horn	10,900	14,300	17,400	20,700
Custer	13,000	13,400	13,900	14,300
McCone	2,700	2,900	2,900	2,900
Musselshell	4,100	4,800	5,800	6,600
Powder River	2,300	2,300	2,000	1,900
Rosebud	9,600	11,000	12,800	14,700
Treasure	1,200	1,100	1,200	1,200
Yellowstone	97,400	108,500	122,200	136,900
Total	141,200	158,300	178,200	199,200

Net Increase/Decrease in Population

	1975-80	1980-85	1985-90
Big Horn	3,400	3,100	3,300
Custer	400	500	400
McCone	200	0	0
Musselshell	700	1,000	800
Powder River	0	-300	-100
Rosebud	1,400	1,800	1,900
Treasure	-100	100	0
Yellowstone	11,100	13,700	14,700
Total	17,100	19,900	21,000

Number of Additional Housing Units Needed[2]

Big Horn	1,046	954	1,015
Custer	123	154	123
McCone	62	0	0
Musselshell	215	308	246
Powder River	0	-92	-31
Rosebud	431	554	585
Treasure	-31	31	0
Yellowstone	3,415	4,215	4,523
Total	5,261	6,124	6,461

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[1] Projections were developed by the Montana Department of Community Affairs. They are based on a continuation of the 1970 to 1973 mining trend.

[2] Assume 3.25 people per household. The negative numbers represent decreases in the number of housing units needed. It is assumed that a large part of the temporary demand for housing will be met with mobile units.

NEW MEXICO Population, Housing Projections by Counties

Population Projections by County[1]

	1975	1980	1985	1990
McKinley	50,400	56,500	62,100	66,700
San Juan	63,800	70,000	75,200	80,500
Valencia	45,900	52,300	58,700	67,000
Total	160,100	178,800	196,000	214,200

Net Increase in Population by County

	1975-80	1980-85	1985-90
McKinley	6,100	5,600	4,600
San Juan	6,200	5,200	5,300
Valencia	6,400	6,400	8,300
Total	18,700	17,200	18,200

Number of Additional Housing Units Needed[2]

	1975-80	1980-85	1985-90
McKinley	1,876	1,723	1,415
San Juan	1,907	1,600	1,630
Valencia	1,969	1,969	2,553
Total	5,752	5,292	5,598

[1] Population projections are based on Series B2 projections of the Economic-Demographic Model developed by the Bureau of Business and Economic Research, University of New Mexico.

[2] Assume 3.25 people per household.

NORTH DAKOTA Population, Housing Projections by Counties

Population Projections by County[1]

	1975	1980	1985	1990
Burleigh	49,504	57,119	64,897	72,666
Dunn	4,328	5,201	7,662	7,798
McLean	9,935	10,318	9,882	9,546
Mercer	5,981	10,544	11,166	11,157
Morton	19,609	20,029	20,093	20,132
Oliver	2,451	2,438	2,447	2,493
Total	91,808	105,649	116,147	123,792

Net Increase/Decrease in Population

	1975-80	1980-85	1985-90
Burleigh	7,615	7,778	7,769
Dunn	873	2,461	136
McLean	383	-436	336
Mercer	4,563	622	9
Morton	420	64	39
Oliver	13	9	46
Total	13,867	10,498	8,335

Additional Number of Housing Units Needed[2]

	1975-80	1980-85	1985-90
Burleigh	2,343	2,393	2,390
Dunn	268	757	42
McLean	117	-134	103
Mercer	1,404	191	3
Morton	129	20	12
Oliver	4	3	14
Total	4,265	3,230	2,564

[1] The population projections were obtained from the North Dakota *REAP E-D Model*, December 7, 1976. The projections assume the following energy projects will be a reality:

Gascoyne mine expansion
Basin 440 MW plant addition and mine expansion
Minnkota 440 MW plant addition and mine expansion
UPA-CPA coal creek electric generating plant and associated mine
Coyote 1 440 MW electric generating plant and mine
ANR 250 MCFD gas plant and mine
BASIN-AVS two 450 MW electric generators and mine
NGPL 250 MCFD natural gas plant and mine

[2] Assume 3.25 people per household.

UTAH Population, Housing Projections by County

Population Projections by County[1]

	1975	1980	1985	1990
Carbon	18,800	25,216	28,840	30,541
Emery	7,250	13,545	15,399	16,387
Grand	6,600	7.978	9,270	9,880
Uintah	17,500	21,460	21,120	20,200
Duchesne	11,800	14,870	14,610	13,750
Kane	3,530	6,250	7,820	8,700
Total	65,480	89,319	97,059	99,458

Net Increase/Decrease in Population

	1975-80	1980-85	1985-90
Carbon	6,416	3,624	1,701
Emery	6,295	1,854	988
Grand	1,378	1,292	610
Uintah	3,070	-340	-920
Duchesne	2,720	-260	-860
Kane	2,720	1,570	880
Total	22,599	7,740	2,399

Number of Additional Housing Units Needed[2]

	1975-80	1980-85	1985-90
Carbon	1,974	1,115	523
Emery	1,936	570	304
Grand	424	397	188
Uintah	944	-104	-283
Duchesne	836	- 63	-265
Kane	836	483	270
Total	6,950	2,398	739

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[1] Projections developed from *Uplands Model*. They are based on the assumption that Utah Power and Light generating plant will be built, Intermountain power plant will be built, and the Alton-Warner plant is a reality. (The projections do not include oil shale development.)

[2] Assume 3.25 people per household.

WYOMING Population, Housing Projections by Counties

Population Projections by County[1]

	1976	1980	1985	1990
Campbell	17,487	23,404	28,639	29,823
Converse	8,693	19,821	14,286	14,789
Carbon	16,241	18,204	19,584	21,241
Lincoln	9,895	14,198	11,044	11.261
Johnson	6,895	9,780	8,122	9,779
Sheridan	19,327	25,832	25,401	26,711
Sweetwater	38,744	33,100	46,881	41,158
Total	117,282	144,339	153,957	154,762

Net Increase/Decrease in Population

	1976-80	1980-85	1985-90
Campbell	5,917	5,235	1,184
Converse	11,128	-5,535	503
Carbon	1,963	1,380	1,657
Lincoln	4,304	-3,154	217
Johnson	2,885	-1,658	1,657
Sheridan	6,496	-422	1,310
Sweetwater	-5,644	13,781	-5,723
Total	27,049	9,627	805

Additional Number of Housing Units Needed[2]

	1976-80	1980-85	1985-90
Campbell	1,820	1,610	364
Converse	3,424	-1,703	154
Carbon	604	424	510
Lincoln	1,324	- 970	67
Johnson	887	- 510	509
Sheridan	1,998	- 130	403
Sweetwater	-1,736	4,240	-1,760
Total	8,321	2,961	247

[1] Total Wyoming projections were done in Aug, 1976 as an application of the Wyoming Analysis of Development Alternative Systems (ADAS) simulation model. The specific assumptions associated with the projections include three coal gasification plants becoming operative. Three additions to existing thermal conversion facilities by 1990, coal development in the Powder River Basin, coal & trona development in the Green River basin, uranium development in the Shirley Basin, oil and gas will remain constant through 1980.

[2] Assumes 3.25 people per household. The negative numbers represent decreases in the number of housing units needed. It is assumed that a large part of this demand for housing will be met with temporary units. The number of housing units needed represent a conservative estimate. According to the Wyoming Dept. of Planning and Economic Development, housing needs may realize 14,671 permanent units and 5,299 temporary units by 1990.

ARIZONA

Housing Information

Single family home[1]

Average size - 1,200 square feet with 3 bedrooms and 2 baths
Price range - $28,000 to $50,000
Average price - $39,000 Monthly payment (principal & interest)-$247
Monthly taxes & insurance[2]-$45
Total monthly payments-$302

Mobile home

Average size - 14 x 60 feet with 2 bedrooms and 1 bath

Set up and delivery -	$10,000 - $15,000
financing	$146 per month
space rental	$ 45 per month[2]
tax, insurance[4]	$ 19 per month[3]
total cost	$210 per month

Apartment rental

Old apartments rent for $125 to $175 per month. These are very tight. New apartments are being built which might cost up to $250 per month.

Mortgage Information

(local terms and conditions)

Single family home[5]
Conventional loan (savings and loan)
20 - 30 year terms
8-3/4% interest
20% down payment

Mobile home financing[6]
12 year terms
13.45% interest
15% down payment

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[1] County Clerk, St. Johns, Arizona.

[2] County Assessors, St. Johns. Estimated yearly taxes in St. Johns-$408. Allstate and AMICA insurance companies provided insurance estimates at $30 per year.

[3] Estimate.

[4] County Assessors, St. Johns. Estimated yearly taxes in St. Johns for 1975 mobile home-$1--. Allstate provided insurance estimate.

[5] Phoenix Home Federal Savings.

[6] Arizona First National Bank.

COLORADO

Housing Information

- Single family home[1]
  - Average size - 1,200 square feet with 3 bedrooms and 2 baths
  - Price range in Craig - $42,000 to $50,000
  - Average price - $46,000 Monthly payment (principal & interest) $314
  - Taxes/insurance - $90
  - Total monthly cost - $404
- Mobile home
  - Average size - 14 x 60 feet with 2 bedrooms, 1 bath
  - Set up and delivery - $10,000 to $15,000
    - financing - $168 per month
    - space rental - $ 45 per month[2]
    - taxes/insurance - $ 26 per month
    - total monthly cost$239 per month
- Apartment rental
  - A two-bedroom apartment costs from $200 to $250 in Craig.

Mortgage Information

(local terms and conditions)

- Single family home[3]
  - Conventional loan (savings and loan)
    - 25-30 year loan
    - 20% down
    - 9-1/8% interest
- Mobile home financing[4]
  - 12 year terms
  - 13% to 17% interest
  - at least 10% down

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[1] McQuaid & Company Realty, Craig, Colorado.

[2] County Assessors, Craig. Estimated yearly taxes in Craig-$937. Allstate AMICA average of insurance prices-$130 per year.

[3] Estimate.

[4] County Assessors, Craig. Estimated yearly taxes-$187. Allstate insurance estimate-$130 per year.

[5] U. S. Bank of Grand Junction.

[6] Midland Federal Savings, Denver, Colorado.

MONTANA

Housing Information

Single family home[1]

Average size - 1,200 square feet with 3 bedrooms and 2 baths
Average price in Forsyth - $40,000 Monthly payments (principal & interest)-$257
Taxes/insurance - $80 per month
Total monthly payments - $337

Mobile home

Average size - 14 x 60 feet with 2 bedrooms and 1 bath

Set up and delivery -	$10,000 to $15,000
financing	$141 per month
space rental	$ 45 per month[3]
taxes/insurance	$ 27 per month[4]
total cost	$213 per month

Apartment rental

A two-bedroom apartment costs $150 per month in Forsyth.

Mortgage Information

(local terms and conditions)

Single family home[5]
Conventional loan (savings and loan)
30 year loan
20% down
9% interest

Mobile home financing[6]
10 years maximum time
11.68% interest
20% down

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[1] County Clerk, Forsyth, Montana.

[2] County Assessors, Forsyth. Estimate of yearly taxes-$837. Allstate and AMICA insurance companies - estimate of yearly insurance-$30.

[3] Estimate.

[4] County Assessors, Forsyth. Estimate of yearly taxes-$200. Allstate insurance company - estimate of yearly insurance-$30.

[5] First Federal Savings, Hardin, Montana.

[6] Security Bank, Billings, Montana.

NEW MEXICO

Housing Information

Single family home[1]

Average size - 1,500 square feet with 3 bedrooms and 2 baths
Average price - $50,000 Monthly payments-$362
Taxes/insurance - $63 per month[2]
Total monthly payments-$425

Mobile home

Average size - 14 x 60 feet with 2 bedrooms and 1 bath

Set up and delivery -	$10,000 - $15,000
financing	$114 per month
space rental	$ 45 per month[4]
taxes/insurance	$ 17 per month[3]
total monthly cost	$176 per month

Apartment rental

A two-bedroom, one bath apartment rents for $205 per month on the average.

Mortgage Information

(local terms and conditions)

Single family home[2]
- Conventional loan (savings and loan)
  - 20 - 30 year loan
  - 10% down
  - 8.34% or 8.5% interest

Mobile home financing
- 12 year terms
- 8% interest
- 15% down

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[1] McKinley Area Council of Governments, *Survey of Lending Institutions,* 1976.

[2] County Assessors, Farmington. Estimated yearly tax-$622. Allstate, AMICA insurance companies - estimated yearly insurance-$30.

[3] Estimate.

[4] County Assessors, Farmington. Estimated yearly tax-$77. Allstate insurance estimated yearly insurance-$30.

NORTH DAKOTA

Housing Information

Single family home[1]

Average size - 1,200 -1,300 square feet with 3 bedrooms and 2 baths
Price range $48,000 - $52,000
Average price in Bismarck - $50,000 -Monthly payment (principal & interest) $349
Taxes/insurance - $46 per month[2]
Total monthly payment - $395

Mobile home

Average size - 14 x 60 feet with 2 bedrooms and 1 bath
Set up and delivery - $10,000 - $15,000

financing	$125 per month
space rental	$ 45 per month[2]
taxes/insurance	$ 19 per month[3]
Total	$195 per month

Apartment rental

A two-bedroom, one bath apartment rents for $200 to $240 per month.

Mortgage Information[5]

(local terms and conditions)

Single family home
Conventional loan (savings and loan)
25 year loan
9-1/2% interest
20% down

Mobile home financing
10 year terms
12% interest
30-40% down payment

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[1] Burleigh County Planning Office, Bismarck, North Dakota.

[2] Oliver County Assessors. Estimated yearly tax-$425. Allstate, AMICA insurance - estimated yearly insurance-$30.

[3] Estimate.

[4] Estimated yearly tax-$100, Allstate insurance-estimated yearly insurance $30.

[5] Bismarck Metropolitan Savings and Loan, Bismarck, North Dakota.

UTAH

Housing Information[1]

Single family home

Average size - 1,500 square feet with 3 bedrooms and 2 baths
Average price in Price - $50,000
Monthly payments - $336
Taxes/insurance - $49[2]
Total monthly cost - $385
(There are also some 1000 sq. ft. homes in the area which cost approximately $38,000, but there are very few available.)

Mobile home

Average size - 14 x 60 feet with 2 bedrooms and 1 bath

Set up and delivery -	$10,000 - $15,000
financing	$125 per month
space rental	$ 45 per month[3]
taxes/insurance	$ 21 per month[4]
total	$191 per month

Apartment rental

A two-bedroom apartment rents for $250 to $300 per month.
A mobile home rents for $250 per month.

Mortgage Information

(local terms and conditions)

Single family home[5]
- Conventional loan (savings and loan)
  - 20-35 years
  - 9 - 9-1/2% interest
  - 20% down

Mobile home financing[6]
- 10 years
- 12-1/2% interest
- 25% minimum down payment

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[1] Reliance Realty, Price, Utah.

[2] County Assessor, Price. Estimated yearly taxes-$459. Allstate, AMICA insurance-estimated yearly insurance-$30.

[3] Estimate.

[4] County Assessor, Price. Estimated yearly taxes-$123. Allstate insurance company-estimated yearly insurance-$130.

[5] First Federal Savings, Price, Utah.

[6] Walker Bank, Salt Lake City, Utah.

WYOMING

Housing Information

Single family home

Average size - 1,200 square feet with 3 bedrooms and 2 baths
Average price in Gillette - $50,000[1], in Rock Springs $40,000[2]
Monthly payments (principal and interest)-$362 in Gillette, financed through Casper
Taxes/insurance - $48 per month
Total monthly payments - $ 410

Mobile home

Average size - 14 x 60 feet with 2 bedrooms and 1 bath

Set up and delivery -	$10,000 - $15,000
financing	$134 per month
space rental	$ 45 per month[3]
taxes/insurance	$ 18 per month[4]
total cost	$197 per month

Apartment rental

In Gillette, a two-bedroom apartment rents for $285 to $385 per month.

Mortgage Information

(local terms and conditions)

Single family home
- Conventional loan (savings and loan) in Gillette[5]
  - 20 year terms usually, sometimes 25 year terms, 9½% interest 20% down
- Conventional loan in Sweetwater County[6]
  - 25-year terms, 9¼% interest, 10% down
- Conventional loan in Casper[7]
  - 30-year terms, 8.9% interest, 10% down

Mobile home financing[8]
- up to 10 year terms
- 12% interest
- 20 - 25% down

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[1] Wyoming Realty, Gillette, Wyoming.

[2] County Assessors, Gillette. Estimated yearly taxes-$450. Allstate, AMICA insurance-estimated yearly insurance-$30.

[3] Estimate.

[4] County Assessor, Gillette. Estimated yearly taxes-$85. Allstate, estimated yearly insurance-$130.

[5] First Federal Savings of Gillette, Wyoming.

[6] Sweetwater Federal Savings and Loan.

[8] First Nat'l. Bank, Casper.

Appendix 4, pg 1

ARIZONA Income Data by Occupations
(Apache and Navajo Counties)

Occupational Categories	Average Wages[1]	Household Income[2]	Disposable Income[3]	Income Available for Housing[4]	Total Employment by Occupation[5]
Mining	$13,141	$15,770	$12,218	$254/mo.	66
Construction	15,384	18,461	13,107	273/mo.	1,887
Manufacturing	10,076	12,092	9,559	199/mo.	2,022
Transportation/ communication/ utilities	10,780	12,936	10,192	212/mo.	1,144
Wholesale/ retail trade	5,775	6,930	5,629	117/mo.	3,250
Finance/ insurance/ real estate	7,476	8,972	6,729	140/mo.	347
Services	7,662	9,195	7,353	153/mo.	2,418[6]

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[1] Information obtained from the ES202 reports, annual for 1975, updated to 1976 wages from the Index of Hourly Earnings, *Survey of Current Business*.

[2] Average wages x 1.2. (1.2 = the average number of wage earners per household, from the *Construction Worker Profile*, page 11, summary report.

[3] Disposable income was determined by adjusting for federal and state income taxes using the 1975 federal and state income tax tables.

[4] Assuming that a household is willing to pay one-fourth of its monthly income for housing.

[5] Information obtained from the ES202 reports, annual for 1975.

[6] No information for Navaho County is included due to disclosure problems.

Appendix 4, Pg 2

COLORADO Income Data by Occupations
(Garfield, Delta, Rio Blanco, Moffat, Routt, Jackson Counties)

Occupational Categories	Average Wages[1]	Household Income[2]	Disposable Income[3]	Income Available for Housing[4]	Total Employment by Occupation[5]
Mining	$18,733	$22,479	$16,806	$350/mo.	1,540
Construction	11,744	14,092	10,909	227/mo.	1,344
Manufacturing	9,409	11.291	8.887	185/mo.	822
Transportation/ communication/ utilities	11,206	13,447	10,476	218/mo.	1,183
Trade	5,910	7,092	5,739	119/mo.	4,658
Finance/ insurance/ real estate	7,976	9,572	7,615	158/mo.	858
Services	5,447	6,536	5,307	110/mo.	3,298

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[1] From ES202 Report, Covered Employment and Wages Quarterly Report, First Quarter, 1976.

[2] Average number of workers per household = 1.2; *Construction Worker Profile*, pg. 11.

[3] Adjusted using 1975 federal income tax and state income tax tables.

[4] Assuming a household is willing to pay one-fourth of its monthly disposable income for housing.

[5] From ES202 Report, Covered Employment and Wages Quarterly Report, First Quarter, 1976.

Appendix 4, Pg 3

MONTANA Income Data by Occupations

Occupational Categories	Average Wages[1]	Household Income[2]	Disposable Income[3]	Income Available for Housing[4]
Mining	$15,863	$19,071	$13,669	$284/mo.
Construction	16,049	19,258	13,828	288/mo.
Manufacturing	11,594	13,913	10,365	215/mo.
Transporation/ communication/ utilities	14,659	17,590	12,752	265/mo.
Finance/ insurance/ real estate	6,790	8,148	6,376	141/mo.
Trade	7,296	8,755	6,802	132/mo.
Service	5,902	7,082	5,960	115/mo.

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[1] Montana Employment and Labor Force Report 1975, updated to 1976 prices, Index of Hourly Earnings, *Survey of Current Business*.

[2] Average wages x 1.2. (average number of workers per household = 1.2).

[3] Disposable income was determined by using the federal and state income tax tables from 1975.

[4] Assuming a household is willing to pay one-fourth of its monthly disposable income for housing.

NEW MEXICO Income Data by Occupations

Occupational Categories	Average Wages[1]	Household Income[2]	Disposable Income[3]	Income Available for Housing[4]	Total Employment by Occupation[5]
Mining	$13,284	$15,940	$12,238	$254/mo.	6,244
Construction	11,506	13,807	10,741	223/mo.	4,509
Manufacturing	7,253	8,703	7,023	146/mo.	2,225
Transportation/ communication/ utilities	11,304	13,564	10,568	220/mo.	3,310
Wholesale trade	9,362	110,234	8,891	185/mo.	1,523
Retail trade	5,553	6,663	5,427	143/mo.	8,190
Finance/ insurance/ real estate	5,537	6,644	5,488	114/mo.	5,548

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[1] From Covered Employment and Wages Quarterly Report, Second Quarter, 1975. Updated to 1976 wages from the Index of Hourly Earnings, *Survey of Current Business,* July, 1975 - July 1976.

[2] Average wages x 1.2. (Average number of wage earners per household - 1.2, *Construction Worker Profile,* pg. 11.

[3] Adjusted from 1975 New Mexico state and federal income tax tables.

[4] Assuming a household is willing to pay one-fourth of its monthly disposable income for housing.

[5] From Covered Employment and Wages Quarterly Report, Second Quarter, 1975.

NORTH DAKOTA Income Data by Occupations
(McLean, Oliver, Mercer and Grant Counties)

Occupational Categories	Average Wages[1]	Household Income [3]	Disposable Income [4]	Income Available for Housing [5]	Total Employment by Occupation [6]
Mining	$17,500[2]	$21,000	$14,910	$310/mo.	398
Construction	14,661	17,593	12,618	262/mo.	1,453
Manufacturing	6,594	7,914	6,248	130/mo.	107
Transportation/ communication/ utilities	13,293	15,951	11,599	241/mo.	432
Wholesale/ retail trade	5,998	7,197	5,721	119/mo.	1,278
Finance/ insurance/ real estate	6,377	7,652	6,056	126/mo.	183
Services	5,427	6,512	5,217	108/mo.	859

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[1] Information obtained from the Third Quarter 1975 ES202 report, updated to 1976 with the Index of Hourly Earnings.

[2] North Dakota Regional EIS.

[3] Average wages x 1.2. (Average number of wage earners per household = 1.2, Grants Uranium Study, *Construction Worker Profile*, page 11.

[4] Adjusted from 1975 federal and state income tax tables.

[5] Assuming a household is willing to pay one-fourth of its monthly disposable income for housing.

[6] Information obtained from the Third Quarter 1975 ES202 report.

UTAH Income Data by Occupations
(Carbon, Emery, Sevier, Kane, Garfield, Grand, Duchesne, Uintah Counties)

Occupational Categories	Average Wages[1]	Household Income[2]	Disposable Income[3]	Income Available for Housing[4]	Total Employment by Occupation[5]
Mining	$15,082	$18,098	$13,551	$282/mo.	3,731[6]
Construction	16,983	20,380	15,198	316/mo.	227
Manufacturing	11,321	13,585	10,489	218/mo.	2,103
Transportation/ communication/ utilities	12,047	14,456	11,077	230/mo.	1,557[6]
Wholesale trade	5,443	6,531	5,309	110/mo.	5,214
Finance/ insurance/ real estate	7,861	9,433	7,493	156/mo.	589
Services	5,097	6,116	4,989	103/mo.	3,115[6]

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[1] Information obtained from the 1974 Annual Report of Labor Market Information.

[2] Average wages x 1.2. (Average number of wage earners per household = 1.2, *Construction Worker Profile*, pg. 11.

[3] Adjusted from 1975 federal and state income tax tables.

[4] Assuming a household is willing to pay one-fourth of its monthly disposable income for housing.

[5] Information obtained from the 1974 Annual Report of Labor Market Information. Adjusted to 1976 figures from the Index of Hourly Earnings, *Survey of Current Business*, July, 1976.

[6] Information not included for certain counties due to disclosure problems.

WYOMING Income Data by Occupations
(Campbell, Carbon, Converse, Johnson, Lincoln, Sheridan, Sweetwater Counties)

Occupational Categories	Average Wages[1]	Household Income[2]	Disposable Income[3]	Income Available for Housing[4]	Total Employment by Occupation[5]
Mining	$16,298	$19,557	$15,302	$318/mo.	8,512
Construction	15,743	18,891	14,821	308/mo.	7,739
Manufacturing	12,279	14,735	11,792	245/mo.	1,785
Transportation/ communication/ utilities	3,336	4,003	3,553	74/mo.	2,377
Wholesale trade	10,264	12,316	9,977	207/mo.	877
Retail trade	5,739	6,886	5,718	119/mo.	7,951
Finance/ insurance/ real estate	8,892	10,670	8,703	181/mo.	1,020
Services	4,729	5,674	4,736	99/mo.	2,439

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[1] Information obtained from Wyoming Third Quarter State and County Summary of Covered Employment and Total Payrolls. Updated to 1976 wages from the Index of Hourly Earnings, *Survey of Current Business*, July, 1975-July 1976.

[2] Average wages x 1.2. (Average number of wage earners per household = 1.2, *Construction Worker Profile*, pg. 11.

[3] Adjusted from 1975 federal income tax tables. (Wyoming has no state income taxes.)

[4] Assuming a household is willing to pay one-fourth of its monthly disposable income for housing.

[5] Information obtained from Wyoming 1975 Third Quarter State and County Summary of Covered Employment.

Section Ten: Overview

AN OVERVIEW OF STRATEGIES FOR FINANCING THE MITIGATION OF SOCIO-ECONOMIC IMPACTS

By Michael D. Savage, Jr.
Resource Communities, Inc., Santa Fe New Mexico

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Chapter I

THE ECONOMIC ISSUES

Rapid growth in impacted western communities may be a double-edged sword. While it may be a source of community enrichment, the potential for community impoverishment exists. The keys to maximizing the long-range benefits are good planning and the financial capacity to implement plans in a timely fashion.

While it is difficult to predict the capital shortfall with precision, it is evident that the financial gap is great, relative to the historical pattern of capital flow into rural western communities. Therefore, the traditional methods of attracting capital into these areas appear to be ineffective given the order of magnitude of the financial requirements.

Four basic issues compel the Federal, State and Local governments, as well as the private sector, to act to ameliorate the capital shortfall:

o The availability and quality of housing, community facilities and services in an energy development area have a direct and immediate effect on the productivity of labor. A labor force living in a substandard human environment is a labor force with high rates of turnover and absenteeism, crime and social problems. The inevitable economic result is a decline in industrial productivity with less energy available at a higher cost.

o The quality of human environment in an energy development area has a direct effect on labor recruitment. The inability to attract and maintain a productive, stable workforce will severely constrain the development of energy resources in the Mountain West.

o Western communities are reexamining the question of what benefits they will derive from the development of the area's energy resources. The importance of providing a quality human environment and a sound, diversified economic base is emerging as a key element in insuring optimum development of the area's needed energy resources.

o Western communities are disinclined to bear the social and environmental burdens of energy development if the energy consumer does not assume the correlative financial burden.

Today, the capital supply system depends largely upon the municipal bond markets and the complexity of Federal and State support programs (grants, loans, revenue sharing, etc.). Small, rural Mountain West communities often compete at a disadvantage in the municipal bond markets because of legal restrictions, municipal bond indebtedness limitations, mill levy ceilings and inadequate or unsynchronized income to service revenue bond obligations. Because Federal funds under most present programs are allocated by formulas that discriminate against unpopulated rural areas, it will be difficult to expand the Federal capital flow of funds to acceptable levels.

The vigorous expansion of the Mountain West's energy production sector required by the current national energy crisis necessitates reform of the traditional public capital delivery systems. New and innovative approaches are necessary to redefine the roles of the Federal and State governments, as well as the energy developers, financial institutions and the private housing entrepreneurs.

Chapter II

PARTICIPANTS IN FINANCING STRATEGIES

While there is a commonality of involvement of the participants in the socio-economic impact scenario, their past inability to develop effective solutions to impact problems is in part a function of their separate goals and interests. It may also reflect their differing relations to the capital markets and their normal, divergent financial strategies outside the impact context. A reexamination of the role of each participant may provide insights into an equitable division of financial responsibility and the optimization of cooperative action.

The Federal Government

In the past the most serious obstacle to the problems of planning for and financing the mitigation of socio-economic impacts has been the absence of a coherent, consistently articulated Federal energy policy. Moreover, the fragmentation of both direct and indirect financial assistance programs among numerous Federal agencies has created confusing and often conflicting policies.

President Carter has stated a strong commitment to the establishment of a rational and consistent national energy policy. He has also expressed his intent to undertake the reorganization of the various energy agencies and programs into a centralized agency with clearly mandated powers and authority. The achievement of this goal would significantly decrease the uncertainty and risks inherent in financing energy development and impact strategies.

It is incumbent upon all interested parties to have maximum involvement in the restructuring of Federal programs and priorities. Despite their differing goals and objectives, the participants should consider the realization of the following reforms in Federal energy policy.

o A long range energy policy must be established, stating unequivocally the priority of development of various energy resources and the identification of the geographic areas to be affected by energy development.

o The predevelopment regulatory (licensing and environmental review, etc.) and permitting process for energy developments must be shortened and streamlined. Administrative and judicial review of permit and license applications must be swift, certain and final.

o The criteria for financial assistance programs in the mitigation area must be altered to be responsive to rapid growth communities and funding levels set at realistic levels.

o The Federal government may consider setting industry performance standards with respect to socio-economic impacts and provide appropriate "social investment" tax credits and other incentives to encourage industry participation.

o Various non-energy related regulations such as those of the Internal Revenue Service and Security and Exchange Commission should be reviewed and amended to remedy constraints on various financing methods which might otherwise be implemented.[1]

o Serious consideration should be given to a Federally sponsored program of state and municipal bond guarantees as well as expansion of the present F. H. A. and H. U. D. insured mortgage programs to accomodate construction of ample housing in rapid growth communities.

o A revolving "seed-money or front end" loan and grant fund should be established to provide crucial initial funding where no other source of financial assistance is readily available to a community.

o Many impacted communities are land-locked by Federal or State controlled land and Tribal reservations. Since local communities do not have the legal authority to exercise power of eminent domain over more sovereign governmental entities, the Federal government should establish a process by which such lands could be made available to the local government at an affordable cost.

While no single Federal financial strategy will totally solve the impact problem, it may be a propitious time for all affected parties to take direct and decisive action toward a rational and effective Federal mitigation strategy. The present administration may provide a unique opportunity to accomplish this goal.

The State Government

Under the delegation of powers concept of the Federal Constitution, the states have retained the power and responsibility to protect and preserve the health, safety, morals and general well being of their citizens. There are increasing indications that the western states will move to exert their "police" powers through siting legislation and other regulatory actions.

The State through its powers of taxation may generate revenues from energy developments that could provide for

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1. SEC regulations may require time consuming registration of a variety of financial guarantees given by an energy company to enhance marketability of a Municipal issuer's securities.

much of the financial needs - both capital and operating - of the localities impacted by those developments. Furthermore, the state by exercising its taxation power in innovative ways, can create effective programs of financial assistance to aid impacted communities. Wyoming has a Community Development Authority aimed mainly at enabling impacted local government entities to access the municipal bond market. Utah has created a program enabling energy developers to prepay sales and use tax into a fund dedicated to providing financial assistance to impacted communities.[1]

North Dakota has adopted legislation creating a coal impact office empowered to offer direct grants-in-aid to rapid growth areas. Montana has imposed a 30 percent severance tax on surface-mined coal which has been interpreted by some analysts as a constraint on further large-scale development. These programs will be analyzed in greater detail in Chapter IV below.

Although the states' capacity to solve the capital shortage may seem great, it is compromised somewhat by interstate competition, the undesirable business climate that could be created by reactive state programs and the fact that the state has an inferior influence in the capital markets relative to the Federal government and leviathan industrial corporations. Most energy-rich states have enacted severance taxes. As a source of revenue for raising public capital for energy impacted areas, the severance tax has the advantage that it is passed directly to the energy consumer who bears the ultimate benefit from the impacts. It is a form of taxation which may also be easily adjusted as needs change.

Most Western states have small staffs of specialists to provide planning assistance to impacted local communities. Some states have created programs of direct, financial aid, as well. Although such programs are of great benefit to the communities, some local officials have expressed frustration over the diminution of local autonomy in some cases. It may be desirable in the administration of state programs of aid to maximize community control over the planning of impact mitigation strategies.

State efforts to solve the impact capital shortfall have been constrained by the political impracticality of focusing significant fiscal resources on impacted communities to the exclusion of other legitimate problems. This prioritization problem is compounded by the fact that energy development is a phenomenon stimulated by a national need and makes it incongruous to justify a state response larger than a national response.

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[1] State legislation which permits the prepayment of taxes has gone largely unused because the IRS regulations limit a taxpayer to deductions for taxes paid during a current fiscal period and disallow the current deduction for taxes paid in future.

The states are also hampered by their inherent diversity of approach, political philosophy and economic potential. Diversity of business regulation, levels of taxation and, ultimately, the quality of life in impact areas may affect the interstate movement of people and capital and may have adverse effects on the Mountain West region as a whole.

The states must consider the interstate and regional implications of their programs or risk fractionalization and destructive competition to the deriment of the region.

In the final analysis, given a clear, long range national energy policy and supportive Federal programs, the potential for effective state action to solve the capital shortfall is great. The array of detailed financial strategies set forth in Chapter IV may represent useful components in the formulation of effective capital accumulation programs consistent with individual state goals and objectives.

Local Community Governments

The party facing the most serious obstacles in dealing with the capital shortfall is the local government unit. Even the smallest rural municipalities will attract in-migrating workers, even though the tax base, compounded by a typically fiscally inexperienced government staff, and legal restrictions limiting the ability of the city to access the capital markets -- all contribute to frustration over control of the community's destiny and development.

Political malaise may be caused by long-time residents who resist changes in lifestyle and fear runaway tax increases. Established community institutions and coalitions may break down, creating suspicion, fear and an absence of leadership or consensus.

The community is often without accurate, essential data concerning nearby energy projects; rumors and distorted information tend to create a pervading atmosphere of uncertainty. Left to its own devices, the local government is often immobilized and unable to react in a positive manner.

Often, the community will assume a defensive posture and seek relief from the party it perceives as the cause of its dilemma - the energy developer. Too often, the energy developer is asked to assume total responsibility for providing public and private capital needs to alleviate the impacts.

While the energy developer can provide some "front-end" capital, technical expertise in planning, and a good information base for decision-making, it is unreasonable to impose the legitimate government responsibility onto a private corporation that is often unwilling and unqualified to discharge it.

While there are no easy answers to this complex problem, one approach has shown promising results. When Sweetwater County, Wyoming, experienced a population growth rate of 86 percent and an employment growth of 124 percent between 1970 and 1975, after an aggregate population increase of three percent for the decade of the sixties, an acute housing shortage and an imminent breakdown of community facilities and services faced Rock Springs, the principal town.[1] With the local government virtually immobilized and unable to deal with these overwhelming problems, Rock Springs and county officials joined together in 1974 with representatives of the industrial companies operating in the area to form the Sweetwater County Priorities Board.

The purpose of the Board is to provide regular communication between local government and industry, analyze problems and recommend priorities for their solutions. It provides industry with an opportunity to help solve the communities' immediate crisis, while working to make local government self-sufficient in the longer term. The Board invites Federal and State officials to attend its bi-monthly meetings to explain cooperative action in involving an effective mitigation strategy. The Board is aided on a regular basis by a citizens' advisory committee and a technical support committee.

Although the concept of the Priorities Board is not a panacea, it has proven to be a useful vehicle for effective cooperative action. Perhaps its most useful role is to provide a forum for discussion, free from suspicion and pressure. It offers opportunity for the consideration of the differing goals and objectives of all parties and a framework for the equitable distribution of responsibilities. While it is no magical solution, it demonstrates the constructive and imaginative use of available resources to assist an impacted community.

In summary, it is imperative that local governments assume a leadership role in making decisions and assuring that they are carried out. Other agencies and industry can help, but the community cannot and must not try to abrogate the basic responsibility.

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1. *Selected Welfare Problems Associated with Rapid Energy Development in the Rocky Mountain Region*, A. Vandermullen and Ormand Parnanen, University of Wyoming, 1976

The Energy Development Industry

The current economic realities of energy development limit the ability of the energy industry to become heavily involved in providing the amounts of capital needed for infrastructure and housing. Utility and mining companies are often hard-pressed to raise sufficient capital for necessary energy facility development and improvements. Regardless of the size of the asset base of an energy company, there is an inherent limitation on its ability to raise capital. Emotional rhetoric may suggest that the energy industry has limitless financial resources to devote to community development. Objective analysis of the facts indicates that this is not the case.

Industry can provide valuable technical assistance to understaffed local governments. It must provide local and state planning agencies with complete and accurate data concerning development plans; especially the details of the size and scheduling of improvements.

Industry has contributed "front-end" money to initiate capital projects and will probably continue this voluntary form of direct financial assistance provided it is assured that its ultimate financial obligation is one which is manageable. Industry guarantees of municipal debt, housing development financing, and non-profit corporation obligations may be utilized in financing mitigation projects. However, such financial involvement, as any private enterprise investment, must be based upon pure profit and loss standards. To the extent that such financial commitments can be incorporated into the recoverable price of the product, as a cost of doing business, they can be justified. Current S. E. C. regulations may present obstacles in employing various corporate financial guarantees by requiring time consuming and expensive registration of these mechanisms as "securities". Administrative and/or legislative remedial action may be needed in this regard.

A more fundamental issue may limit the legitimate role of the energy industry. Although the companies are generally large, sophisticated business organizations, they do not have the specialized expertise in municipal finance and community development to play a leadership role in financing and implementing a community mitigation plan. Furthermore, government should not abrogate or delegate its direct responsibility to the private sector. Through the exercise of its legitimate powers of regulation and taxation, it can involve industry in the process of mitigation while preserving the important distinctions between the roles of the public and private sectors in a free enterprise system.

Private Financial Institutions

Community development projects are typically funded from sources in the capital markets such as tax-exempt municipal bonds and conventional debt-equity financing made by real estate lenders. The private market for municipal bonds is presently the prime supplier of public sector capital.

The tremendous financial resources of the national municipal bond market represent adequate capacity to provide the capital for financing the public infrastructure needs of the impacted communities in the Mountain West. However, revenue lead time problems and the historic uncertainty of the long term viability of energy development communities represent serious obstacles which must be overcome. Specially designed debt service guarantees will be required during the early years before energy-related growth in the revenue base has occured. Supplementary reserves or guarantees may be needed to insure that tax generated revenues will be adequate to service the debt over the life of longer term obligations.

Smaller western communities typically lack the financial and credit resources to resolve capital accumulation problems without outside assistance. Counties, while often having an adequate revenue base for raising large amounts of capital, are politically disinclined to aid cities faced with severe impact problems. Furthermore, institutional investors and underwriters may have arbitrary rules on the size of a community or the number of sewer taps in a project which would exclude many impacted communities from their investment portfolios. If the municipal bond market is to be accessed by these communities, new facilitative programs involving the State and Federal governments must be developed.

The difficulties experienced by communities in accessing the capital markets result in severe inflation of civic project costs as well as delays to private developers who would otherwise be increasing housing and commercial property inventories.

Possible program alternatives include Federal guarantees of state and municipal bond obligations; state bond authorities interposed between local government and the capital markets with Federal subsidies; tax incentives and revenue sharing aimed at encouraging specialized state bond vehicles for pooling or insuring the bonds of municipalities by using bond bank techniques.

Although the potential exists for large profits in the production of housing in impacted communities, it is questionable whether private developers can be easily attracted without some sort of financial guarantees or indemnification. Once again, uncertainty of the long term viability of energy development communities presents an unacceptable risk in securing permanent financing in comparison to development opportunities in older, more stable and established localities. Energy companies may be reluctant to provide such guarantees in light of an uncertain and volatile national energy policy which could unpredictably change a rapidly growing community into a ghost town requiring the funding of such guarantees and the attendant potential financial losses. In addition, such corporate guarantee would likely have to be subordinated to senior corporate debt and would have to be carried on the corporation's balance sheet as a contingent liability. This might impair the corporation's ability to finance most effectively overall capital requirements.

Because of the remoteness, the size and the urgency of need, housing developments in boomtowns will cost substantially more per square foot than those in larger, more stable communities. The scarcity of skilled labor and speculative land prices are additional factors which will increase costs and may reduce profit margins.

Local banks and savings institutions will not typically provide adequate supplies of mortgage funds for housing developments. Larger urban lenders perceive unusual risks inherent in boomtowns and are reluctant to invest when more stable and secure investment opportunities are available.

Without some form of government or industry subsidy and/or guarantee program, private financial institutions are unlikely to undertake the risks of development in impacted communities.

Division of Responsibility

The key to the orderly development and financing of public facilities and service programs, as well as housing, is the systematic division of responsibilities between the public and private participants on a mutually acceptable risk/reward basis. While it is clear that local government should retain the fundamental responsibility for overall mitigation actions, it appears that the state, with supportive Federal programs, can effectively play a lead role in developing effective financing programs.

No single strategy or program can provide all the solutions. The western states have differing political philosophies, economic goals, and resources with which to approach individual solutions.

Chapter IV presents a discussion of financial mechanisms available to the states which represent potential components of a programmatic response to impact financing requirements.

Chapter IV

COMPONENT MECHANISMS FOR STATE FINANCIAL STRATEGIES

Sections two through eight of this volume present state-by-state analysis of strategies for alleviating socio-economic impacts with specific findings on issues and recommendations for action. To compliment this state-specific approach, this chapter presents a variety of generic mechanisms which represent various components available to the states in formulating financing programs.

No attempt has been made to rank the usefulness of individual mechanisms. However, where individual elements or combinations thereof have proven effective in actual use, this is noted.

Traditional Debt and Security Devices[1]

Long term municipal borrowing has traditionally been used to finance water, sewer, utilities, schools, public buildings and a wide range of public facilities and service programs. The variety of bonding applications have produced several distinct and different types of bonds, industrial development bonds, and refunding bonds.

The tax exempt status of the interest on municipal bonds allows state and local governments to compete favorably in the private capital market with borrowers who seek the advantages of tax exemption.

Although tax exempt municipal bonds are and will continue to be the cornerstone of state and local financing under present conditions, there are serious legal and economic limitations on their effectiveness in financing impacts in boomtowns. Most Mountain West state constitutions contain limitations on the amount of general obligation indebtedness which a municipality may incur and/or establish ceilings on local mill levy rates. In addition, most western state constitutions contain conservative restrictions which inhibit the states' ability to use their financial power to aid impacted communities. In many cases these legal restrictions make it impractical for municipalities to issue any general obligation bonds.[2]

Assuming that local government entities were willing and able to issue bonds for all needed improvements, they would be unable to pay off early years' debt service without large increases in local tax rates. To the extent that underwriters and investors will permit, municipal issuers may reduce their payments in early years by using deferred debt service amortization schedules. Of course, these deferred payments would require substantially higher payments in subsequent years as opposed to more level debt service schedules.

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[1] See *Tax Lead Time Study, The Colorado Oil Shale Region*, Colorado Geological Survey, Denver, Colo. (1974)

[2] For a full discussion of legal aspects of such matters in the western states, see *Financing Housing and Public Facilities in Energy Boom Towns*, by attorney James B. Daley, to be published soon in the Rocky Mountain Mineral Law Journal

Usually, constitutional municipal debt limits apply only to general obligation bonds, not to revenue bonds. It may be possible to overcome statutory bonding limits by issuing a mix of general obligation and revenue bonds; albeit at greater cost. However, many essential public facilities such as schools, and jails and many social service programs are non-revenue producing and therefore could not be accomodated under this approach.

Credit-worthy communities which have not exhausted their debt capacity through the issuance of bonds and other borrowing mechanisms will continue to borrow in the capital markets. However, a fundamental flaw in the traditional devices will limit their effectiveness in the boomtown context. These mechanisms were developed to meet the needs of communities with normal growth requirements. They are designed and restricted to prevent overspending on unsound capital improvement programs. They lack the specialized features required to pledge future revenue sources to create current funds to solve the front-end requirement that public facilities and services be in place when they are needed. The pay-as-you-go limitation of traditional borrowing devices severely limit their effectiveness in financing mitigation programs.

Prepayment of Taxes

The 1975 Utah Resource Development Act[1] permits the prepayment of sales and use taxes by those engaged in natural resource development. Funds collected from this source are dedicated to energy impact mitigation programs. While prepayment of taxes makes revenues available when they are needed to fund projects, it carries with it the inherent risk that the energy development will not be completed. This situation did, in fact, occur in Utah when the Kaparowitz power project was abandoned by the energy developer after long delays, caused by environmental challenges, and inflationary cost increases which made the project financially impractical.

Another disadvantage of this mechanism is that the Federal Internal Revenue Service refuses to allow the

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1. Utah Code Ann. ch. 51, Art. 63 (Supp. 1975)

prepaying taxpayer to deduct the taxes until the year in which they are due. There is also the possibility that prepayment could be construed as an interest free loan to impacted communities. Such a construction could adversely affect the taxpayers' status since local taxes are not deductable under IRS rules until the local due date.

It is conceivable that prepayment could result in the creation of reverse leverage. If any energy developer were forced to borrow money in the capital market at a 10 percent corporate interest rate to prepay taxes to a municipality or county which would then use the tax revenue to borrow at the tax exempt interest rate of six percent, the financial inefficiencies of such a transaction would create an absurd result.

If the Federal tax regulations were amended, this alternative might merit further consideration.

Joint Powers Legislation

This legislation permits a county with a large tax base (typically the tax base of large energy development projects is found in unincorporated areas of the county, outside municipal taxing boundaries) to enter into cooperative agreements with cities and towns to participate financially in providing needed public facilities. The purpose of such an arrangement is to equalize tax imbalances between tax-poor cities and tax-rich counties.

Although the concept is theoretically valid, counties have exhibited a strong disinclination to pledge their financial support to aid municipalities. As long as such legislation is permissive, the traditional political rivalries between the local government units may inhibit its effectiveness. Furthermore, mandatory legislation under current judicial interpretations might possibly be invalid if not politically impractical.

Siting Legislation

There has been a dramatic increase in the enactment of state siting legislation in recent years. Although siting laws in general focus on issues relating to protection of the physical environment, recent trends have placed socioeconomic consideration within their purview. Since an applicant must fulfill all conditions of the siting permit, financial responsibility for mitigating impacts could be imposed on the energy developer. Missouri Basin Power Cooperative was required to play an active role in conjunction with the city of Wheatland, Wyoming, in financing a mitigation strategy for that community.

The Wyoming Industrial Siting Council clearly has the authority to deny a permit on socio-economic impact grounds. The Council can conversely control the scheduling of development and the financial responsibility of the parties through the review process and by placing conditions for mitigation in the issuance of a permit. Of course, the energy developer has the option of abandoning the project if the mitigation requirements are too burdensome financially.

The Wyoming legislation provides for continuing monitoring of impacts to assure that mitigation measures are effective. Siting legislation appears to be an increasingly powerful device for creating and financing mitigation programs.

Comprehensive Mitigation Legislative Program: The Wyoming Approach

In the general session of the 1975 Wyoming State Legislature, a comprehensive package of legislation was enacted providing a variety of measures to deal with financing the socio-economic impacts of energy development. The legislation was developed by a Legislative Select Committee on Industrial Development Impacts,which conducted hearings throughout the state in developing the program.[1] Through these hearings and meetings, the committee was able to involve state government agencies, local government officials, energy companies, and representatives of the business and financial communities.

The primary purpose of the legislative program was the creation of a state level agency, with the power to issue up to $100 million in tax-exempt, revenue bonds. The proceeds of these bonds would then be made available to impacted communities in the form of loans for the provision of public infrastructure. Proceeds of the Authority could also be made available to the communities for the creation of new housing stock through a loan-to-lenders and mortgage purchase program.

The financial foundation for the Authority's obligations would be loan repayments and a special severance tax. One of the most unique features of the legislation is that, through the severance tax, the resource industry creating the impacts and ultimately, the consumer, shoulder a fundamental financial responsibility for financing them.

The legislation also included a proposal for a constitutional amendment to increase the municipal debt

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1. For a discussion of the Committee's findings and the legislative package itself, see *Legislative Select Committee on Industrial Development Impact*, Wyoming State Legislature, Interim Report and Recommendations (1974)

limitations for cities, towns, and counties, as well as school districts. The amendment would also remove all debt limitations from city and county sewer projects and from county water projects. Unfortunately,this constitutional amendment failed to carry in the November 1976 general election.

The legislation amended the existing joint powers legislation to confer upon counties urban powers when acting in concert with a city through a joint powers agreement. This provision of the program is intended to allow counties with large energy facility-related tax bases to join with impacted cities to construct and finance public facilities to serve both. Cities and counties would be empowered to enter into a cooperative venture for the creation, expansion or financing of a wide variety of facilities including water and sewer projects, schools, fire and police protection, transportation systems, and hospitals. The cooperative venture would be implemented through a joint powers agreement, creating a joint powers board with the power to issue revenue bonds, without the requirement of an election to finance any joint project. The legislation also empowers the Wyoming Farm Loan Board to loan money from the State's permanent fund to joint powers boards. This provision makes up to $40 million available to cities and counties.

The legislation increased the emergency school loan fund from $2 million to $20 million, as well as increasing the distribution of sales and use tax revenues to counties and cities. It also removes the use tax exemption for certain companies engaged in intrastate commerce.

The cornerstone of the legislative package is the bonding agency, the Wyoming Community Development Authority (WCDA).[1] The WCDA is modeled upon the housing finance agency concept developed in the last decade throughout the United States. These agencies issue tax-exempt municipal bonds, allowing them to pass along to housing purchasers the lower interest rates available through the issuance of such securities. It also has features of the "bond bank", a vehicle which gives a number of small municipalities access to the capital markets, often under more favorable conditions than would be available if each community attempted to issue its own securities individually.

Through its unique mixture of housing and civic project programs WCDA is equipped to assist impacted commun-

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1. Wyoming Stat., Secs. 9-830 (Supp. 1975)

ities in financing a wide variety of programs. The definition of civic project includes almost every type of public facility which may be needed in an impacted community, including water and sewer, schools, roads, airports, hospitals, parking facilities, and swimming pools and other recreational projects. The housing assistance program is made up of two components. Through its loan-to-lenders program, the WCDA makes a loan to an institutional mortgage lender, secured by the lender's credit and proper collateral security. The institution then makes the loan funds available for housing mortgages in the impacted communities. The mortgage purchase program enables the WCDA to purchase qualified mortgages from local mortgage lenders, effectively injecting new money into the community by acting as the purchaser. Obviously, the mortgage purchase program makes money available within the communities to which the local mortgage lenders would not otherwise have access.

The securities issued by the WCDA are payable from two sources, repayment of the Authority's loans and reserve funds which are created for additional security for the bondholders. These reserves are funded by the accumulation of moneys received from excise taxes imposed upon the extraction of coal, trona, petroleum, natural gas, oil shale, and other fossil fuels. If any of the reserve funds are expended, these are replaced from the collection of the next excise tax collected. The excise tax on the wide variety of minerals extracted in the state provides a safe source of revenue to secure that the Authority's reserves will be adequate to cover potential losses.

The civic project program is supported by a graduated coal tax, which increases in increments of four-tenths of one percent until it totals two percent on the coal mined in 1978. Any expenditures from the reserve funds to secure civic project securities would be replenished from this tax source. The tax automatically expires in the year in which total taxes collected reach $120 million. Thus, the Authority is designed to self-destruct in recognition that impacts from an energy boom are of a finite duration.

WCDA is a political subdivision of the state, operated solely for public purposes. It is not an agency of the state and its obligations are not those of the state. It is governed by a Board of Directors of ten individuals appointed by the governor with the advice and consent of the senate. It is staffed by specialists with experience in finance, engineering and housing to aid impacted community officials in the development of their programs as well as to run the affairs of the Authority.

The Authority's initial pre-bond issue budget was funded through an loan of $300,000 which will be repaid by the WCDA by 1982 out of loan fees and arbitrage income.

Wyoming's approach involves innovative and wideranging measures. A legislative program with such revolutionary features was bound to be caught up in controversy. WCDA has been involved for a year in protracted litigation over various aspects of its program. The Wyoming District Court recently ruled that the enabling legislation does not in the main violate federal or state constitutional restrictions. The bill will be reviewed on appeal by the Wyoming Supreme Court and if the decision upholds the validity of the legislation, the Authority will soon thereafter issue mortgage and civic projects bonds to finance projects it has been involved with in the last year and a half. Since its staff became operational in 1976 it has provided technical assistance to local government officials in planning projects and seeking financing for them.

In summary,Wyoming's program is the most comprehensive of any of the Mountain West state and is probably the most complex. It provides a source of front-end capital through its civic projects programs and helps to alleviate the tax lead time problem facing impacted communities. Through the grants and pledges of revenue issued by the Farm Loan Board and supported by the special coal tax, it provides needed revenue for debt service and increased operating expenses needed by local government until their own tax sources are adequate. The amendment to the Joint Powers Act helps to alleviate the jurisdictional imbalances in tax base between counties and cities. Shortages in housing capital in local communities are reduced through the Authority's mortgage programs which should provide an effective incentive to increase the housing inventory. Perhaps the most significant aspect of the legislative package is the special coal severance tax, dedicated to assist impacted areas in financing needed facilities. In a sense, this measure addresses the issue of who will pay for the mitigation of impact in the long run. The dedication of an energy related tax source to aid in financing of impacts is a rational approach in many ways. It places the economic burden upon the energy developer, and ultimately the consumer through "pass-through" price increases. It exports the cost of impact mitigation to the areas of energy consumption, rather than placing the burden solely on local residents of energy development areas.

The Montana Legislative Approach

In 1975 the Montana Legislature enacted a series of bills designed to deal with energy impacts in a variety of ways[1] The legislation was based upon an extensive

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1. Rev. Code Montana, Sections 84-1322 (Supp. 1975)

study of fossil fuel taxation practices in Montana and a number of other states. The most important element in the legislative package is the imposition of a 30 percent severance tax upon the extraction of surface mined coal.[1] At the time the bill was enacted, the Montana tax represented the highest state mineral severance tax in the nation. The justification for this level of taxation was contained in a legislative finding that "coal in Montana, when sub-bituminous and recoverable by strip mining, is in sufficient demand that at least one third of the price it commands at the mine may go to the economic rents of royalties and production taxes."

The method of assessment of the surface mine severance tax on coal was changed by changing the formula for assessment from a net proceed basis to a gross proceeds basis. This change reflected a historic decline in tax revenue in recent years as a result of accelerating production costs which affected the amount of tax collected under the former net proceeds formula.

There is no clear evidence as yet that the Montana tax has deterred energy development. Coal mining activity has continued to increase with shipments of coal to distant eastern markets and for power production in the state. Further study of the effects of this high rate of taxation over time will assess whether the tax has acted as a deterrent to coal development within the state.

The legislative package created the Montana Coal Board to administer that portion of the coal severance tax dedicated to the mitigation of impacts.[2] The Coal Board is empowered to award grants to local communities to assist in enabling them to provide public facilities and services required by the development of coal resources. In this respect, it functions in a manner similar to the Wyoming Farm Loan Board

The criterion for awarding grants by the Board is predicated on the severity of impacts, degree of need, extent of local efforts to respond to need, and the availability of funds. A unique feature of the legislation is the requirement that at least 50 percent of grants made by the Board must be allocated to local governmental units which have or expect to experience a population increase of at least 10 percent during any three-year period as a result of coal development. This attempt to classify the severity of impact by population increase may signify a trend at establishing objective standards for measuring impact at the state level.

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1. Rev. Code Montana, Sections 84-1314 (Supp. 1975)

2. Rev. Code Montana, Sections 50-1704 (Supp. 1975)

The Board may not award a grant which extends over a ten-year period or which does not conform to reasonable projections of available revenues over the period of the grant. There is a further limitation on grants for local impact assistance in the form of a requirement that all funds under control of the Board for local assistance grants and those in the educational trust fund account shall be subject to appropriations made by the legislature from time to time. This limitation may preclude communities from pledging such grants over time as sources of debt service revenues and could effectively decrease their access to the capital markets.

The legislation contained a provision for the mandatory prepayment of property taxes on major new industrial developments.[1] Any newly constructed industrial facility requiring the employment of at least 100 people during its construction or operation, and which further would create substantial adverse impacts on local or state government services or facilities, would be required to prepay an amount equal to three times the tax due in the year the facility is completed and operational. The obligation to prepay would be triggered by a request from the local Board of County Commissioners.

The prepayment of property tax provision is a landmark action, the first of its kind in the United States. Although the provision was enacted by the legislature, it has not been implemented to date, due to expected challenges of a legal nature.

The legislature additionally provided for voluntary prepayment of property taxes on new industrial developments.[2] This is facilitated by the denial of a special lowered tax assessment unless property taxes are prepaid. The legislation amended the property tax classification statute to exclude from the new industrial property class any development that would create a negative impact on local or state government facilities and services. Public hearings on the determination are held with opportunities for the local and state government units to appear and testify concerning impact. If the development is found to create an adverse impact, the taxpayer has the option of prepaying property taxes and thereby qualifying for a lower assessment rate of seven percent as opposed to the normal assessment rate of 30 percent. The reduced assessment rate for voluntary prepayment would be available for the first three years of operation of the new facility. Although this is a new approach to fostering the prepayment of property taxes, the lengthy and complicated administration of the program may represent an impediment to its successful implementation.

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[1] Rev. Code Montana, Sections 84-41-105 (Supp. 1975)

[2] Rev. Code Montana, Sections 84-41-105 (Supp. 1975)

The Montana legislature attempted to deal with the problem of housing by the enactment of the Montana Housing Act of 1975.[1] The Act created a housing authority with the power to issue up to $75 million in tax-exempt bonds, with the proceeds to be used to assist private developers and governmental agencies in their attempt to increase housing inventories. The Act restricts the Board of Housing from providing financial assistance for anyone other than persons or families of lower incomes. However, the Board may take into consideration the ability of parties in need of housing to compete successfully for housing in the marketplace to secure adequate housing at a cost commensurate with that charged by private enterprise. Although the Act does not specifically provide for the creation of housing in impacted communities, it does appear to have the flexibility to allow the creation of such programs to fulfill the need. In February 1977, the Montana Supreme Court upheld the constitutionality of the Act and the agency has issued $21.5 million dollars of bonds.

WCDA Revisited - The New Mexico Response

The New Mexico Energy Resources Board (ERB) is a state agency given the statutory authority and mandate to develop state energy plans. On November 4, 1976 the Energy Resources Board published the *State Energy Plan for New Mexico -- Issues and Alternatives*, which set forth an in-depth analysis of the energy issues requiring state action.[2]

The report presented interim recommendations for a comprehensive responsive plan of executive and legislative action.

Among the programs discussed were alternative plans to introduce legislation for siting energy developments and financing impact mitigation. The report recommended pursuing alternative programs in an effort to develop a state siting authority.

In the area of impact financing, the ERB has prepared a legislative proposal for the creation of the Community Assistance Authority, empowered to make grants and issue

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1. Rev. Code Montana, Sections 35-501 thru 35-526 (Supp. 1975)

2. *A State Energy Plan for New Mexico--Issues and Alternatives*, Preliminary Report, Energy Resources Board, Santa Fe, N. M. (November, 1976)

tax-exempt general purpose revenue bonds. The bill focuses on establishing a method by which local governments and state agencies can borrow money to meet capital needs brought about by energy, mineral and resource development. In addition, it provides for outright grants to impacted areas, where such aid is essential to mitigate impacts and loans alone are an inadequate solution.

The proposed Authority would have the ability to respond in a flexible and effective way to a wide variety of financing problems. It could, through unified action, provide loans and grants to impacted communities, as well as purchase their securities. Further, it has been designed to lend effective revenue legislation, particularly the severance tax permanent fund.

The proposed program was not a revenue measure and did not impose any new taxes. It contemplated two revenue sources from which securities would be issued. The first source was from the Authority directly. The new 12½ percent of the Federal Mineral Leasing Act revenues which will be forthcoming to the state under the recently enacted BLM Organic Act[1] would be pledged to secure such securities as well as other moneys received by the Authority. In addition, the Authority would have been empowered to request that the State Board of Finance issued severance tax bonds in order to fund civic projects of a wide variety in impacted communities.

The Authority would have been authorized to make grants and loans available to communities for virtually any type of public facility. While the Authority was to have no program for directly financing housing, New Mexico has a Mortgage Finance Authority which currently provides such assistance to low and moderate income families through a loan to lenders program.

The proposed Authority was designated to be self supporting, requiring no more than a "first instance" appropriation. It would have been created as a public corporation, not a department of the state, thereby shielding its obligations from obligations of the State. It would have been governed by a seven member board, all of whom were to be appointed by the Governor.

It would have had a full time professional staff with

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1. Federal Land Policy and Management Act of 1976, PL 94-579

an operations budget approved annually by the legislature.

The proposed bill was not reported out of committee in the 1977 session of the New Mexico legislature (January to March).

The New Mexico State Energy Plan reflects an increasing trend toward comprehensive legislation for dealing with energy impacts. The state bond authority (WCDA) approach may also indicate a new wave of specific financing strategies with which to deal with impacts despite its failure to be adopted in the current session.

Severance Tax Impact Programs

Most severance taxes are based upon the theory that the state is justified in recapturing the irretrievable and permanent loss of its natural resources. Like the OPEC nations, the western states must prepare for the era when their natural resources will be depleted and their economic base threatened. An additional justification for mineral severance taxes is the theory of economic rent. Since natural resources have a finite supply and an infinite demand, there is a tendency for market forces to permit prices to be high to induce increased production. Consumer demand will accomodate a price increment represented by the severance tax.

Typically severance taxes paid by energy developers are passed on to the consumer in the form of price increases on raw energy and products requiring energy in their manufacturing process. By shifting the burden of the severance tax to the ultimate consumer, western states can export the costs of financing the impacts of energy development to the consumer. Although most public utility commissions have traditionally permitted utilities to include severance tax increases in their fuel cost increases, the skyrocketing cost of energy in recent years and the smoldering public outcry may exert powerful pressures to alter this practice.

The states of the Mountain West have exhibited a pattern of dedicating all or a portion of severance taxes into permanent trust funds. For example, New Mexico and Wyoming have constitutionally mandated trust funds which are to remain inviolate for future generations and are subject to rigorous restrictions as far as use and investment are concerned. It is the norm for these use and investment restrictions to preclude any effective use of trust moneys for financial assistance programs to mitigate impacts.

Trust funds in the Western States have accumulated capital balances in the hundreds of million dollars and with the trend to increase severance taxes these funds will continue to accumulate at a tremendous rate. While it is prudent to insure continued economic stability for the time when natural resources will be depleted, this laudable goal must be balanced with the requirement to provide communities with modern, efficient public facilities and services, adequate recreation, suitable housing and a high quality of life. Without these amenities, it will not be possible to broaden or diversify the economic base for the day when resources are depleted.

A reasonable amount of these severance tax funds could be used in innovative ways to help finance the costs of impact mitigation. Bonds supported by the pledge of severance taxes could be issued to finance mitigation measures and industrial development and diversification programs. In this way states could potentially "bust-proof" their futures and avoid the social and economic malaise that has occurred in the past when natural resources are exhausted.

It is possible that states having huge mineral trust fund balances may find it difficult in the future to convince a Federal Congress, constituted with elected representatives of states on the verge of financial collapse, that federal aid for impacts is necessary. A reasonable balance between the needs of future generations and current social and economic needs should be examined to insure that the former will not suffer, by understating or ignoring the latter.

The BLM Organic Act[1]

In the summer of 1976, the Federal Congress amended the Federal Mineral Lands Leasing Act of 1920[2] to increase the share of payments to be received by the states from sales, bonuses, royalties and lease rentals from 37½ percent of the total received by the federal government to 50 percent. The amendment further provided that the additional 12½ percent to be received by the states be used as the legislature of the state may direct, giving priority to those subdivisions of the state socially or economically impacted by the development of minerals leased under the Act for planning, construction and maintenance of public facilities, and the provision of public services. This amendment, sponsored by Sen. Hansen of Wyoming, was vetoed by President Ford but the veto was overridden by Congress and enacted into law.

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[1] This section is based on *Info from WGREPO No. 77-1*, by Donald A. Rapp, Western Governors' Regional Energy Policy Office, Denver, Colorado

[2] Public Law 94-377

Shortly before the national elections in November of 1976, Congress passed and President Ford signed the BLM Organic Act (P. L. 94-579) which re-amended the Federal Mineral Lands Leasing Act of 1920, preserving the 12½ percent increase in the states' share of federal leasing revenues, but also authorizing the Secretary of the Interior to make loans to states and their subdivisions in order to relieve social or economic impacts occasioned by the development of minerals leased under the Act. The amendment also removed the former restriction that the states'37½ percent share be used for the provision of schools and roads in impact areas. The proceeds of the loans were limited to use for planning, construction and maintenance of public facilities, and the provision of public services in areas impacted by development of minerals leased under the Act (oil, coal, oil shale, natural gas, potassium, and sodium).

The Secretary of the Interior was empowered to make loans in an amount not to exceed a state's share of anticipated revenues under the Act over a ten year period. The loans were to bear an interest rate not to exceed three percent and were to be repaid out of the states share of revenues to be deducted from its 50 percent share of the federal revenues received under the Act.

The Secretary, after consultation with the governors of the affected states would allocate the loans among the states giving priorities to those states and their subdivisions suffering the most severe impacts. The Secretary was also authorized to issue rules and regulations to carry out the program according to the intent of the Act. No appropriation for the loan program was included in the BLM Organic Act, so a subsequent appropriations bill would be necessary to implement it.

This complex piece of legislation is made more difficult more by what it does not state than by what it does state. As is the case with many legislative programs, the administrative rules and regulations to be established and promulgated by the Department of the Interior will contain the crucial elements of the operation of the loan program. DOI has indicated that the standard rulemaking procedures of the federal government will be followed, including public review of draft regulations, consideration of comments received, publication of proposed rules in the *Federal Register*, and public hearings if they are deemed necessary. DOI has set a goal of May 1977 for the publication of the program regulations.

If Congress approves an appropriation for the loan program early in 1977, it is conceivable that the loan funds could be available to impacted states in 1978. DOI estimates indicate the share of seven western states (Colorado, Montana, New Mexico, North Dakota, South Dakota, Utah and Wyoming) in fiscal 1979 could amount to $178.9 million. If Congress were to fund the loan program on the basis of a ten year projected share of these states' revenue, there would be over a billion dollars in loan funds available in two years.

The importance of the BLM Organic Act to the western states cannot be overemphasized. In a recent meeting with a DOI spokesman in Washington, it was learned that the Carter Administration had tied any budget appropriation to proposed amendments to the BLM Organic Act to more firmly establish the parameters of the loan program. The level of funding of the first fiscal year of the program might not exceed $50 million for the entire nation.

Some vexing questions are posed by this legislative enactment:

o Will the loan program interfere with the states' traditional uses of the Federal Mineral Leasing Act money?

o Will the states' leadership role in establishing mitigation finance programs be undermined by the federal government dealing directly with the local communities?

o Will the Federal government be able to preempt the states' right to utilize its 50 percent share of Federal Mineral Leasing Act money by making loans based on the anticipation of the states' ten year projected share?

o Will the loan program interfere with antecedent obligations of the states wherein they have pledged prospectively their share of the leasing revenues?

o Will the new regulations affect the traditional uses of leasing revenues, directing them into areas heretofore not considered?

The advantageous aspects of the new legislation are implicit. Political issues over the level of funding for the program are bound to be controversial. Financing program architects would be well advised to keep apprised of the development of the rules and regulations to be promulgated by DOI in the future and to participate in the rule-making process to the maximum extent.

In the final analysis of the BLM Organic Act amendments, it is evident that the Federal government is becoming increasingly aware that impact financing is a national issue and priority. This development, along with legislation dealing with impacts caused by the development of offshore oil, may signify a larger Federal role in the financing of impacts of energy development in the United States.

Conclusion

While no attempt to strucutre a specific financing strategy for the mitigation of impacts has been suggested in this section, a variety of mechanisms has been presented for consideration. From this broad array of generic techniques, financial planners can choose those components which most directly and efficiently meet the individual needs to the states and affected communities.

It should be emphasized that the considerable resources of the investment banking industry should not be overlooked by government program developers. Wall Street has a storehouse of innovative, creative, and experienced experts who can provide useful assistance to government in creating effective financing programs.

In the final analysis, it will be the government, industry and the financial institutions working together who will develop solutions for raising the financial resources to make energy-impacted communities a positive product of the development of the Mountain West's rich energy resources.

Section Eleven:

CONCLUSION

At its inception, this report was to be designed in a manner to result in a model financial strategy for possible adoption by the seven western states undergoing rapid energy developments. After a thorough investigation and analysis on a state-by-state basis, the research team concluded that a single "best" strategy was not feasible. The marked differences among the states insofar as present constitutional and statutory provisions are concerned precluded the recommendation of a general strategy suitable for widespread adoption.

While there are marked differences in structures of the state and local financial systems, there are common problems in dealing with the financial impacts resulting from energy developments and these can be dealt with in general terms.

A central common problem has been the financing of front-end costs of public facilities and services. Even under the circumstances where adequate tax and other revenues are available to a town or city, as well as the counties and school districts, in the long run a problem typically exists in financing the public costs which stem from increased population during the early years of development. A financial expert would resolve the problem by borrowing against future tax revenues to meet the rising costs during the early years. This approach is more difficult in the public sector because of the limitations on borrowing, which are often predicated upon assessed valuations and the reluctance of presently elected officials to commit future elected bodies. Furthermore, the borrowing which is permitted by law is generally allowed only for facilities and not operating expenditures. Almost without exception, the western states have provided for state funding of front-end costs through an impact assistance fund which provides either grants or loans or both to the affected communities. This appears to be the strategy which has the greatest merit.

A corollary to providing front-end assistance to the communities impacted by energy development is a tax structure which produces adequate revenue to finance these increased costs. There is a reluctance on the part of state legislatures to utilize general type revenues for the alleviation of impacts due to energy developments. An argument can be made that the use of general revenues is justified from the viewpoint of the viability of the state's general economy. That is to say, in order to develop the economic potential of energy resources in an efficient manner, it is important that the living conditions in such areas be made agreeable to attract and hold a work force in a healthy, safe, and aesthetically attractive environment. The most effective means of providing the revenues for the impacted communities, both economically and politically, is to tax the energy developments by means of severance taxes and other taxes and to channel the necessary revenues to communities experiencing financial distress.

In addition to the front-end costs of providing adequate public facilities and services, the affected communities face a rising trend in total local governmental expenditures. The crux of the financial problem over the long term results from the inadequate tax bases of most local communities. The classic case, and a very common circumstance, is for the town or city to experience a gradual increase in taxable assessed valuations, while the rural areas outside of the city boundaries are experiencing rapidly accelerated increases in taxable assessed valuations. Even where mechanisms are in place to permit a sharing of the town and city costs with the unincorporated areas, there is a great reluctance to share the enlarged tax base.

A rather unique solution adopted in Emery County, Utah merits investigation by other states. In Emery County, the several towns and cities have been permitted, under state law, to incorporate into their tax base, by means of a special district, the assessed valuations of two unincorporated areas which are experiencing sharp increases in assessed valuations due to the location of power plants. The most feasible alternative to the establishment of such special districts appears to be either a greater cooperation on the part of county governments, where joint power agreements are provided for by law, or a cycling back of tax revenues by the state government in the form of grants to the affected communities.

There are a variety of actions the local communities can initiate to improve their financial postures. It is important that the community officials determine the extent of proposed developments and the extent of population growth likely to accompany the developments. The growth in population on a year-to-year basis for the ensuing ten to twenty years needs to be charted. By using the profile of the future population growth, the community will be able to make estimates of expenditure requirements for street, sewer, water, and other public infrastructure as well as operating expenditures. The expenditure requirements can then be compared to the anticipated growth in tax and other revenues as well as borrowing capacities to determine the extent of a shortfall in revenues which may be anticipated.

In determining the future financial capabilities, it is important to investigate and determine the amount of assistance which may be forthcoming from the state or federal government. In some communities, there may be the possible assistance of industry and business by means of prepayment of taxes or a guarantee of loans.

Communities should re-evaluate their property tax assessment systems, the structure of user charges, such as for sewer and water, as well as alternative taxing sources, such as sales and use taxes. A necessary part of any financial planning is a modern accounting and financial budgeting and control system. The rather simple systems which may be acceptable for a small community may be unacceptable to the community when it increases in size and complexity.

The national energy policy that is emerging will require an accelerated development of western energy resources, such as coal, uranium, oil shale, geothermal, and solar sources. The amount of federal expenditures budgeted to help alleviate the financial stresses of communities in the western states has been deficient. While the other sections of the country may take the position that these local problems should be mitigated by actions of the western states and communities themselves, this position may impede the achievement of national goals for domestic energy development. If the national agenda to rapidly accelerate domestic production is to be realized, it may be necessary to adopt national financial measures to provide additional grants-in-aid and loans to communities impacted by rapid development. It is in the national interest to assist the remote areas where energy development takes place or risk a shortfall in energy production because of the difficulties of attracting an adequate, energetic, and productive work force.